2026 FIRST QUARTER REPORT

QUESTERRE ENERGY CORPORATION

QUESTERRE

CONTENTS

QUESTERRE ENERGY CORPORATION is an energy technology and innovation company focused on responsibly developing oil and gas resources. It is leveraging its expertise gained through early exposure to low permeability reservoirs to acquire significant high-quality resources. We believe we can successfully transition our energy portfolio. With new clean technologies and innovation to responsibly produce and use energy, we can sustain both human progress and our natural environment.

Questerre is a believer that the future success of the oil and gas industry depends on a balance of economics, environment and society. We are committed to being transparent and are respectful that the public must be part of making the important choices for our energy future. Questerre's common shares are traded on the Toronto Stock Exchange and Oslo Stock Exchange under the symbol QEC.

President's Message

The turnaround at PX Energy is producing results.

In our first full quarter with management control, lifting costs in Brazil were reduced by $7.6 million or 30% to $17.5 million from $25.5 million last quarter. With stronger oil prices in March, this contributed to Questerre generating adjusted funds flow from operations of $20.8 million — including $6.7 million in revenue related to minimum sales contracts in Brazil — compared to $4.3 million in the fourth quarter of 2025. Further cost reductions are planned for the remainder of the year, and we believe the underlying operation has room to improve.

In Quebec, the economy and energy situation is evolving. The trade dispute with the United States, a structural electricity shortage, and rising concern about energy security have together rekindled consideration of energy options including local natural gas production. We have been making the case that our Quebec Utica discovery is part of the answer. On the emissions reduction front, we met with the Government on Bill 17, their framework for carbon storage, and on our pending carbon storage pilot application. These steps toward meeting Quebec's decarbonization commitments demonstrate our commitment to finding a business and political solution.

Our capital reorganization closed in January, transferring the value of our Quebec assets to preferred shareholders. We are actively evaluating paths to list those shares for trading.

Highlights

- Average daily production of 6,180 boe per day
- Additional 540 boe per day was invoiced as deferred revenue related to minimum sales contracts in Brazil
- Adjusted funds flow from operations of $20.8 million including $6.7 million related to minimum sales contracts (net cash from operating activities of $3.1 million)
- Cost cutting at PX Energy reduces lifting costs by $7.6 million to $17.5 million from $25.5 million in the fourth quarter of 2025
- Corporate reorganization conveys interest in Quebec assets to preferred shares
- Questerre case approved by Quebec Superior Court to advance legal process

Oil Shale

The first quarter results show we are on the right track with our cost cutting. The support from local management for the restructuring has been strong.

The cost reduction plan included cutting overhead, renegotiating supply contracts and refinancing government obligations. The target is to deliver $8 million in cost savings this year and reduce operating and overhead by 10% over last year. We plan to reduce them by a further $8 million in 2027. The goal is to reduce operating costs from US$59 per produced boe, the average cost in 2025 prior to our acquisition, to US$40 per produced boe by 2027.

One of our most significant cost items is internal fuel consumption. This accounts for nearly 25% of our operating costs in Brazil. This quarter it represented approximately 940 boe per day split equally between gas and fuel oil. We are investing capital to reduce these high-value fuel oil volumes.

In March, we commissioned a biomass boiler fueled by wood waste that cuts fuel oil consumption by nearly 50%. Other projects include switching our burners off fuel oil to materially lower costs.

This summer, we also plan to test the Red Leaf HCCO technology— a trial that should increase heat mass efficiency, reduce fuel consumption further and validate a critical element of the technology at scale.

The Red Leaf HCCO is fundamentally different from conventional oil shale processing, including the process currently used at PX Energy. Conventional methods — almost universally — move large volumes of rock to a heat source. Red Leaf inverts that approach. The rock stays stationary inside vessels while a heat plug moves through in a batch process. This is engineered to materially lower costs, substantially reduce water usage, and improve thermal efficiency. The prize is converting billions of barrels of oil shale resource into reserves. We now have a clearer, faster, and cheaper path to proving the technology at scale than our original plan.

Quebec

Quebec's electricity shortage is no longer a future problem — it is here. The provincial utility has stated plainly that surpluses are a thing of the past, and it is now rationing power for new industrial loads, prioritizing projects that support decarbonization[(1)]. This February it proposed to the provincial energy regulator that new large data centers exceeding 5 MW should pay approximately double what current large-power customers pay[(2)]. Earlier in the quarter it announced plans to utilize the TC Energy Bécancour power plant as a peaking facility to be supplied in part by renewable natural gas[(3)]. We have been making the case directly that our gas is a cheaper alternative with lower environmental impact. Our tie-in point from drilled but as yet untested wells is less than ten kilometres from the Bécancour plant.

The political environment is also shifting. Despite the National Assembly's non-binding vote in March to reaffirm the shale gas ban, the current Premier — during her recent leadership campaign — expressed openness to local gas development as part of an energy sovereignty platform. She has acknowledged that local production would reduce dependence on United

States imports and serve as a transition fuel[4]. In April, the head of one of Quebec's largest financial institutions made a similar point publicly at a shareholder meeting, calling on the province to develop its own resources[5].

The judicial process to protect shareholder rights is advancing. During the first quarter the Quebec Superior Court approved Questerre as a 'test case' to move forward to expedite the process. The case protocol agreed in April sets out the schedule for remaining pre-trial steps, including a Government expert report. We expect a hearing date to be set for next year or early 2028.

Operating and Financial

Production averaged 6,180 boe per day in the quarter. There was an additional 540 boe per day invoiced as deferred revenue related to minimum sales contracts. Volumes in Brazil were about 10% lower than last quarter as we reduced production to meet seasonally lower demand.

Our first quarter results reflected stronger commodity prices in March, which helped maintain revenue at $43 million, in line with the fourth quarter of 2025, despite lower production volumes. Revenue in the period does not include any amounts related to deferred revenue for the minimum sales contracts. We also made meaningful progress on cost cutting at PX Energy and, additionally, saw some unbudgeted savings in the period. This overall reduced operating costs to $17.5 million from $25.5 million in the fourth quarter of 2025. We reported a net loss for the quarter of $17.8 million, which includes several non-cash items such as depletion, deferred tax expense and most of our finance income and expense. For instance, our finance expense includes $10.1 million of non-cash expense related to the embedded derivative associated with the secured bonds.

Adjusting for these non-cash items, our cost cutting contributed to adjusted funds flow from operations of $20.8 million, including $6.7 million of revenue related to minimum sales contracts, compared to $4.3 million in the fourth quarter of 2025. Higher oil prices are creating some demand pressure in Brazil, with some customers lifting volumes below the minimums in their contracts. This makes it more challenging for them to meet their minimum sales volumes. Our customers and contracts are both essential to our business and managing this dynamic is an important priority for us.

Outlook

We closed the disposition of our Kakwa Central assets in early May, further improving our working capital position. As a result, production is expected to be lower for the remainder of this year. A portion of our Canadian production is now hedged, though based on current strip prices, we expect the improvement in our working capital to continue.

The restructuring of PX Energy is well underway and the first quarter is an early proof point that we are on the right track. We have a defined path to prove the Red Leaf technology at scale — at lower cost and on a shorter timeline than originally planned. In Quebec, the political and economic environment is moving in our direction. The assets are unchanged. The opportunity, if anything, is larger.

Michael Binnion
President and Chief Executive Officer

Forward Looking Advisory

Please refer to the section Forward Looking Statements in the Management Discussion and Analysis regarding the forward-looking information provided in this President's Message.

Footnotes:

(1) https://www.hydroquebec.com/residential/energy-wise/are-we-running-out-electricity.html
(2) https://news.hydroquebec.com/news/press-releases/all-quebec/hydro-quebec-proposing-regie-energie-new-rate-large-data-centres-adjustment-rate-cryptographic-use-applied-blockchains.html
(3) https://news.hydroquebec.com/news/press-releases/all-quebec/quebec-energy-security-hydro-quebec-confirms-next-steps-use-power-plant-becancour-during-peak-periods.html
(4) https://ici.radio-canada.ca/info/videos/1-10620098/christine-frechette-prete-a-rouvrir-dossier-gaz-schiste?liste=28-23005
(5) https://www.theglobeandmail.com/business/article-national-bank-quebec-energy-natural-resources-major-infrastructure/

Environmental, Social and Governance

Questerre believes the oil and gas industry can go from laggards to leaders on the global environment.

From today to 2050, the world's population is estimated to grow from 7.6 billion to almost 10 billion who will expect a better standard of living[1]. We believe providing the increased energy needed tomorrow, with lower environmental impacts than today, is the challenge of our times. Transforming our energy consumption to lower emissions is essential to meeting this challenge.

Our project in Quebec was designed with a goal to significantly reduce emissions associated with the production of natural gas. We are also assessing how to reduce other environmental impacts. It is an example of the steps needed to meet this global challenge.

Our project in Brazil includes creating a permanent forest reserve, contributing to biodiversity and creating a carbon sink. We are targeting further reductions to our emissions footprint through the planned usage of our proprietary process that incorporates carbon capture.

It requires a new way of thinking to become leaders on environmental issues. Our industry plays a vital role in today's energy systems. We have the experience, expertise, capital and technology to help address the world's energy and environmental challenges. Delivering on projects like ours in Quebec is just one example of how our industry can be leaders on transforming our global energy systems.

Questerre is proactively working with communities and First Nations for local benefits. For example, we have committed to share of our profits with them. We have also engaged with local First Nations to include them in our contracting and benefits program.

People know they need energy to maintain progress for their families and communities. They want to know the providers of that energy are being responsible and sustainable in the way it is supplied.

1. https://www.un.org/en/desa/world-population-projected-reach-98-billion-2050-and-112-billion-2100#:~:text=The%20current%20world%20population%20of,Nations%20report%20being%20launched%20today

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") was prepared as of May 14, 2026, and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes of Questerre Energy Corporation ("Questerre" or the "Company") as at and for the three months ended March 31, 2026 and 2025, as well as the audited annual consolidated financial statements and related notes for the year ended December 31, 2025. Additional information relating to Questerre, including Questerre's Annual Information Form for the year ended December 31, 2025, dated March 31, 2026 ("AIF"), is available on SEDAR+ under Questerre's profile at www.sedarplus.ca.

The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual consolidated financial statements for the year ended December 31, 2025, and Note 2 of the unaudited interim consolidated financial statements for the period ended March 31, 2026. The unaudited interim consolidated financial statements of Questerre have been prepared by management and approved by the Company's Board of Directors.

Description of business

Questerre is an energy technology and innovative company actively involved in the acquisition, exploration and development of oil and gas projects, and, in specific, non-conventional projects such as tight oil, oil shale, shale oil and shale gas. Questerre is committed to the economic development of its resources in an environmentally conscious and socially responsible manner. The Company's Class "A" Common voting shares ("Common Shares") are listed on the Toronto Stock Exchange and the Oslo Stock Exchange under the symbol "QEC". The Company's Series 2 Preferred Shares are not currently listed for trading.

Forward-Looking Statements

Certain statements contained within this MD&A constitute forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified using the use of words such as "anticipate", "assume", "believe", "budget", "can", "commitment", "continue", "could", "estimate", "expect", "forecast", "foreseeable", "future", "intend", "may", "might", "plan", "potential", "project", "will" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Management believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A.

This MD&A contains forward-looking statements including, but not limited to, those pertaining to the following:

- the issuance of the Common Shares as consideration for the Acquisition;
- the assumption of convertible promissory notes;
- the completion of the transactions contemplated in the BCA, if closed;
- the achievement of the performance milestones attached to the contingent consideration payable pursuant to the Acquisition, and the timing thereof, if at all;
- the utilization of Red Leaf technology;
- drilling plans and the development and optimization of producing assets;
- the judicial plans to achieve a hearing of the Company's claim made in connection with Quebec's Bill 21 and the seeking of a date for the main hearing;
- working collaboratively to find a political and business solution with the Government of Quebec;
- future production of oil, natural gas and natural gas liquids;
- the enhancement of existing production through workovers and expanding the pilot secondary recovery scheme while assessing future drilling locations;
- future commodity prices in light of decisions by OPEC and its allies, including Saudi Arabia and Russia on production levels, the war in Ukraine, and the conflict in the Middle East;
- legislative and regulatory developments in the Province of Quebec;
- the transfer of wells drilled in 2025 from the proved undeveloped to the proved producing category;
- the Company plans for a carbon storage pilot project under Bill 21 and the funding thereof;
- the listing of the Series 2 Preferred Shares;
- hedging policy;
- liquidity and capital resources;
- the financial liquidity of PX Energy;
- the restructuring of the balance sheet and the optimization of the operations of PX Energy;
- the Company's compliance with the terms of its credit facility;
- timing of the next review of the Company's credit facility by its lender;
- ability of the Company to meet its foreseeable obligations;
- capital expenditures and the funding thereof;
- the finding of acquisitions;
- impacts of capital expenditures on the Company's reserves;
- commitments and Questerre's participation in future capital programs;
- risks and risk management;
- potential for equity and debt issuances and farm-out arrangements;
- counterparty creditworthiness;
- the timing of receivables from joint venture partners;

- flow-through shares and use of proceeds and renunciation and indemnity obligations associated therewith;
- insurance;
- use of financial instruments; and
- critical accounting estimates.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A, the AIF, and the documents incorporated by reference into this document:

- PX Energy operations are in Brazil and may be adversely affected by changes in foreign government policies and legislation, social instability or other factors not in the control of Questerre;
- the dispute regarding the First Tranche Common Shares and the working capital pursuant to the Acquisition Agreement;
- litigation in connection with the Acquisition, including with prior prospective joint venture participants;
- loss of key personnel of PX Energy in connection with the Acquisition;
- debt obligations of PX Energy;
- potential tariffs and counter tariffs on trade with the United States and other countries;
- Quebec's Bill 21, the revocation of licenses in Quebec and potential compensation;
- the impact of transactions contemplated in the BCA;
- volatility in market prices for oil, natural gas liquids and natural gas due to, among other things, the production agreements between OPEC and its allies, including Saudi Arabia and Russia, on production levels, the war in Ukraine, and the conflict in the Middle East;
- access to capital;
- general economic conditions;
- the terms and availability of credit facilities;
- counterparty credit risk;
- changes or fluctuations in oil, natural gas liquids and natural gas production levels;
- liabilities inherent in oil and natural gas operations;
- adverse judicial rulings, regulatory rulings, orders and decisions;
- attracting, retaining and motivating skilled personnel;
- uncertainties associated with estimating oil and natural gas reserves and resources;
- insufficient advancement by Red Leaf in the engineering of its proprietary process;
- competition for, cost and availability of, among other things, capital, acquisitions of reserves, undeveloped land, equipment, skilled personnel and services;
- incorrect assessments of the value of acquisitions and targeted exploration and development assets;
- fluctuations in foreign exchange or interest rates;

- stock market volatility, market valuations and the market value of the securities of Questerre;
- failure to realize the anticipated benefits of acquisitions;
- actions by governmental or regulatory authorities, including changes in royalty structures and programs, and income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry;
- limitations on insurance;
- changes in environmental, tax, or other legislation applicable to the Company's operations, and its ability to comply with current and future environmental and other laws; and
- geological, technical, drilling and processing problems, and other difficulties in producing oil, natural gas liquids and natural gas reserves.

Statements relating to reserves are by their nature deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The discounted and undiscounted net present values of future net revenue attributable to reserves do not represent the fair market value thereof.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities law. Certain information set out herein with respect to forecasted results is "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding the Company's reasonable expectations as to the anticipated results of its proposed business activities. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

BOE Conversions

Barrel of oil equivalent ("boe") amounts may be misleading, particularly if used in isolation. A boe conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil and is based on an energy equivalent conversion method application at the burner tip and does not necessarily represent an economic value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Non-GAAP Measures

This document contains certain financial measures, as described below, which do not have standardized meanings prescribed under GAAP. As these measures are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

This document contains the term "adjusted funds flow from operations", which is an additional non-GAAP measure. The Company uses this measure to help evaluate its performance. Questerre considers adjusted funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund operations and support activities related to its major assets. It excludes contract liabilities and demonstrates the funds from operations based on customers fully meeting their contractual volume commitments.

As an indicator of the Company's performance, adjusted funds flow from operations should not be considered as an alternative to, or more meaningful than, net cash from operating activities as determined in accordance with GAAP. The Company's determination of adjusted funds flow from operations may not be comparable to that reported by other companies.

Adjusted Funds Flow from Operations Reconciliation

	Three months ended March 31,	
($ thousands)	**2026**	2025
Net cash from operating activities	**$ 3,089**	$ 3,359
Change in non-cash operating working capital (excluding contract liabilities)[2]	**17,712**	184
Adjusted Fund Flow from Operations[1]	**$ 20,801**	$ 3,543

(1) Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital and changes in non-cash contract liabilities.

(2) Changes in non-cash working capital excludes the $6.7 million increase in contract liabilities related to minimum sales volumes. Including this item reconciles adjusted working capital to the change in total working capital.

This document also contains the terms "operating netbacks", "cash netbacks" and "working capital surplus/(deficit)," which are non-GAAP measures.

Operating and cash netbacks, as presented, do not have any standardized meaning prescribed by GAAP and may not be comparable with the calculation of similar measures for other entities. Operating netbacks have been defined as revenue less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less general and administrative costs. Netbacks are generally discussed and presented on a per boe basis.

The Company also uses the term "working capital surplus/(deficit)". Working capital surplus/(deficit), as presented, does not have any standardized meaning prescribed by GAAP, and may not be comparable with the calculation of similar measures for other entities. Working capital surplus/(deficit), as used by the Company, is calculated as current assets less current liabilities excluding any outstanding risk management contracts and lease liabilities.

Select Information

As at/for the period ended,	Three months ended March 31, 2026	2025
Financial ($ thousands, except as noted)		
Petroleum and Natural Gas Sales	**42,970**	9,130
Adjusted Funds Flow from Operations[1]	**20,801**	3,543
Cash Flow from Operations	**3,089**	3,359
Basic and diluted ($/share)	**0.03**	0.01
Net (Loss) Income	**(17,832)**	4
Basic and diluted ($/share)	**(0.04)**	0.00
Capital Expenditures	**1,772**	17,864
Working Capital Surplus (Deficit)[2]	**(49,628)**	9,202
Total Assets	**401,366**	181,519
Shareholders' Equity	**61,800**	139,006
Common Shares Outstanding (thousands)	**452,213**	428,516
Weighted average - basic (thousands)	**450,183**	428,516
Weighted average - diluted (thousands)	**452,115**	431,700
Operations (units as noted)		
Average Production		
Crude Oil and Natural Gas Liquids (bbls/d)	**4,474**	998
Natural Gas (Mcf/d)	**10,234**	4,388
Total (boe/d)	**6,180**	1,729
Average Sales Price[3][5]		
Crude Oil and Natural Gas Liquids in Canada ($/bbl)	**89.92**	91.34
Crude Oil and Natural Gas Liquids in Brazil ($/bbl)	**114.48**	–
Natural Gas in Canada ($/Mcf)	**2.67**	2.43
Natural Gas in Brazil ($/Mcf)	**18.29**	–
Total ($/boe)	**89.47**	58.66
Netback ($/boe)		
Petroleum and Natural Gas Sales	**89.47**	58.66
Royalties Expense	**(2.48)**	(3.52)
Percentage	**3%**	6%
Direct Operating Expense	**(45.85)**	(23.85)
Operating Netback	**41.14**	31.29
General and Administrative Expense [4]	**(10.32)**	(8.61)
Cash Netback	**30.81**	22.68

[1] Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital and changes in non-cash contract revenue liability.

[2] Refer to the Current Assets and Current Liabilities in the Balance Sheet for the years ended March 31, 2026, and 2025.

[3] Refer to MD&A pricing chart in the Consolidated Financial Statements for the years ended March 31, 2026 and 2025.

[4] Refer to MD&A chart for general and administrative costs for the years ended March 31, 2026, and 2025.

[5] Prices per boe are based on sales volumes representing produced volumes less volumes consumed in internal processes.

Highlights

- Average daily production of 6,180 boe per day
- Additional 540 boe per day was invoiced as deferred revenue related to minimum sales contracts in Brazil
- Adjusted funds flow from operations of $20.8 million including $6.7 million related to minimum sales contracts (net cash from operating activities of $3.1 million)
- Cost cutting at PX Energy reduces lifting costs by $7.6 million to $17.5 million from $25.5 million in the fourth quarter of 2025
- Corporate reorganization conveys interest in Quebec assets to preferred shares
- Questerre case approved by Quebec Superior Court to advance legal process

First Quarter 2026 Activities

The Company focused on strategic priorities of improving cash flow from PX Energy and maintaining capital discipline across its Western Canadian assets.

Oil Shale

During the quarter the Company implemented its planned financial and operational restructuring of Parana Xisto S.A ("PX Energy"). Management's near-term objective is to develop PX Energy as a cash-flowing operating platform supported by long-life reserves, and existing infrastructure. This includes plans to restructure the balance sheet and optimize the operations of PX Energy to improve profitability and financial liquidity. It is also assessing options to demonstrate the Red Leaf Resources Inc. ("Red Leaf") HCCO technology at scale at the PX Energy facility in Brazil.

Western Canada

The Company elected to forego participation in a three (0.75 net) well program at Kakwa Central due to the proposed inter well spacing that is expected to impact overall recoveries. No drilling was conducted at Kakwa North. A three (1.5 net) well program could commence in the fourth quarter of 2026, subject to the operator's plans.

Subsequent to quarter-end, the Company entered into a binding agreement to sell its non-operated minority working interest in Kakwa Central for total cash consideration of $23.5 million. Production from the assets averaged 690 boe per day in the first quarter of 2026. The purchaser is to assume associated decommissioning liabilities and certain firm transportation and processing commitments. The disposition closed on May 1, 2026.

Quebec

The Company's primary objective remains the implementation of a business and political solution for the development of its natural gas discovery in the province. Concurrently, it is protecting its legal rights following the enactment in August 2022 of Bill 21, *An Act mainly to end petroleum exploration and production and the public financing of those activities in Quebec* ("Bill 21").

During the first quarter, the Quebec Superior Court granted the plaintiffs joint motion for test cases and allowed the claim by Questerre and one other licence holder to proceed by priority over the claims by other licence holders. In March 2026, the Ministry of Economy, Innovation and Energy sent a letter to the Company in connection with its obligations under Bill 21. Among other items, the Company has been asked to demonstrate $11 million in liquidity for future well abandonments. Pursuant to Bill 21, the Government of Quebec would be covering up to 75% of these abandonment and reclamation costs. The Company is working cooperatively with the Government to address the items in the Government's letter. The Company is also assessing the potential of these wells for use as pilot wells in its carbon sequestration pilot program.

Corporate

In January 2026, the Company completed the economic spin out of its Quebec-based assets (the "Quebec Spinout") through a reorganization of its capital. The reorganization consisted of the exchange of one old Common Share for one new Common Share and one Series 2 Preferred Share. The Preferred Shares entitle holders to the economic benefits of the Quebec assets, and the Common Shares represent ownership of the remaining assets of the Company. The Company is assessing options to have the Preferred Shares listed for trading.

Production and Sales Volumes

Production Volumes

Three months ended March 31,		**2026**			2025	
	Oil and Liquids (bbls/d)	**Natural Gas (Mcf/d)**	**Equivalent (boe/d)**	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Equivalent (boe/d)
Canada	**1,135**	**6,376**	**2,198**	998	4,388	1,729
Brazil	**3,339**	**3,858**	**3,982**	–	–	–
	4,474	**10,234**	**6,180**	998	4,388	1,729

Sales Volumes

Three months ended March 31,		**2026**			2025	
	Oil and Liquids (bbls/d)	**Natural Gas (Mcf/d)**	**Equivalent (boe/d)**	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Equivalent (boe/d)
Canada	**1,135**	**6,376**	**2,198**	998	4,388	1,729
Brazil	**2,942**	**1,178**	**3,138**	–	–	–
	4,077	**7,554**	**5,336**	998	4,388	1,729

Note: Oil and liquids include light & medium crude oil and natural gas liquids.

Production volumes in the quarter increased over last year following the acquisition of PX Energy (the "Acquisition") in September 2025. In Canada, production volumes increased over the prior year reflecting the tie in of three (1.5 net) wells last April, net of natural declines, at Kakwa North.

Production in Brazil declined by 10% over the fourth quarter of 2025 volumes of 4,414 boe per day. With offtake falling short by 540 boe per day of the minimum contract sales volumes due to lower seasonal demand and limited storage capacity, the Company reduced production volumes in response. Production was also impacted by reduced operating efficiency at the processing facility. As a result, the Company's minimum contractual volume commitments were higher than production levels in the quarter by 540 boe per day.

For the remainder of this year, the Company anticipates its production volumes will decline following the sale of minority interest in Kakwa Central and natural declines in Canada. Production in Brazil is expected to decline due to demand suppression from higher prices and the related impact of customers fulfilling their minimum volume commitments.

Sales volumes in Brazil are lower than production volumes due to produced fuel consumed in the process of 943 boe per day and inventory adjustment of 99 boe per day. In addition, shortfall of offtake of minimum sales contract volumes by 540 boe per day impacts sales volume by the same amount.

Sales volumes in Brazil, specifically fuel oil, are subject to contractual minimum monthly sales volumes with existing customers. The Company's indirect subsidiary, PX Energy, invoices customers for any shortfall between actual sales and the minimum contract sales volumes. These amounts are invoiced and collected by PX Energy in the following month. The amounts related to the shortfall are not included in revenue for the current period and are to be settled in accordance with the terms of the contracts.

Petroleum and Natural Gas Revenue

Three months ended March 31,		**2026**			2025	
($ thousands)	**Oil and Liquids**	**Natural Gas**	**Total**	Oil and Liquids	Natural Gas	Total
Canada	**$ 9,183**	**$ 1,532**	**$ 10,715**	$ 8,174	$ 956	$ 9,130
Brazil	**30,316**	**1,939**	**32,255**	–	–	–
	$ 39,499	**$ 3,471**	**$ 42,970**	$ 8,174	$ 956	$ 9,130

Note: Oil and liquids include light & medium crude oil and natural gas liquids. Natural gas includes conventional and shale gas.

Revenue increased over the first quarter last year due to production from the Company's assets in Brazil. Revenue in Canada increased by nearly 20% with higher production volumes offset by lower oil prices during the quarter.

Pricing

	Three months ended March 31,	
	2026	2025
Benchmark prices:		
Natural Gas - AECO, daily spot ($/Mcf)	**1.90**	2.05
Crude Oil - Mixed Sweet Blend ($/bbl)	**93.49**	95.33
Crude Oil - Brent ($/bbl)	**106.52**	–
Realized prices:		
Natural Gas in Canada ($/Mcf)	**2.67**	2.43
Natural Gas in Brazil ($/Mcf)	**18.29**	–
Crude Oil and Natural Gas Liquids in Canada($/bbl)	**89.92**	91.34
Crude Oil and Natural Gas Liquids in Brazil ($/bbl)	**114.48**	–

Note: Oil and liquids include light & medium crude oil and natural gas liquids. Natural gas includes conventional and shale gas.

During the current quarter, oil prices remained relatively stable over the first two months of the period. Prices rose materially in March with the start of a major international conflict in the Middle East that risked disruption to approximately 20% of global oil supply. The Company's realized price for crude oil and natural gas liquids in Canada averaged $89.92 per barrel, slightly lower than the realized price of $91.34 per barrel for the same period in 2025. This compares to the Canadian Mixed Sweet Blend benchmark which is based on the benchmark WTI less applicable discounts. This averaged $93.49 per barrel for the quarter, compared to $95.33 per barrel in the first quarter of 2025.

In Brazil, prices for the Company's oil production are primarily based on Brent pricing with applicable quality differentials and premiums. For the quarter ended March 31, 2026, the Company's realized Brent-based crude oil price averaged $114.48 per barrel, compared to the Brent benchmark price of $106.52 per barrel for the period. The realized price reflects produced volumes net of volumes used in the production process, product quality, and commercial arrangements.

North American natural gas prices were lower compared to the prior year. The AECO daily spot price averaged $1.90 per Mcf for the three months ended March 31, 2026, compared to $2.05 per Mcf for the same period in 2025. The decrease reflected higher production and weaker demand despite growth in LNG-related demand. The Company's realized natural gas price in Canada increased to $2.67 per Mcf compared to $2.43 per Mcf in the first quarter of 2025 due to higher heat content of its gas volumes from Kakwa.

Royalties

	Three months ended March 31,	
($ thousands)	2026	2025
Canada	$ 210	$ 548
Brazil	980	–
	$ 1,190	$ 548
% of Revenue:		
Canada	2%	6%
Brazil	3%	–
Total Company	3%	6%

Gross royalties increased due to production from Brazil. As a percentage of revenue, royalties on production in Canada would have been 8% for the quarter but decreased to 2% due to a rebate received for processing the Crown's share of production through the Company's facilities. The royalty rate on production from Brazil was 3% for the quarter reflecting a flat rate of 5% on the value of oil shale production and a 2% royalty on production volumes related to refinery waste oil processing.

Operating Costs

	Three months ended March 31,	
($ thousands)	2026	2025
Canada	$ 4,486	$ 3,712
Brazil	17,535	–
	$ 22,021	$ 3,712
$/boe:		
Canada	$ 22.68	$ 23.85
Brazil	62.13	–
Total Company	$ 45.85	$ 23.85

Operating costs increased to $22 million for the three months ended March 31, 2026, compared to $3.7 million for the same period in 2025. The increase was primarily due to the inclusion of operating costs from Brazil following the Acquisition. Additionally, costs were incurred with increased production volumes in Canada.

In Canada, operating costs increased to $4.5 million for the period compared to $3.7 million in the same period last year due to increased costs for produced water disposal. On a per boe basis, Canadian operating costs decreased slightly to $22.68 per boe from $23.85 per boe in the prior year, reflecting higher production volumes and operating efficiencies.

In Brazil, operating costs for the first quarter of 2026 were $17.5 million, or $62.13 per boe, for the period. Brazil operating costs are largely fixed and include mining, refining, energy and other costs associated with the PX Energy operations. As the assets in Brazil were acquired at the end of the third quarter of 2025, there were no comparable operating costs in the prior year period. Compared to the fourth quarter of 2025, costs decreased by $7.6 million due mainly to cost cutting initiatives by the Company. Costs associated with internal fuel usage were approximately 25% of this amount. The Company is targeting to reduce these costs through capital projects to eliminate fuel oil usage in the process.

Total Company operating costs averaged $45.85 per boe for the three months ended March 31, 2026, compared to $23.85 per boe in the same period of 2025. The increase on a consolidated boe basis reflects the addition of Brazil, which has a higher operating cost profile due to its integrated mining and refining operations.

General and Administrative Expenses

	Three months ended March 31,	
($ thousands)	**2026**	2025
Canada general and administrative expenses	**$ 2,176**	$ 1,340
Brazil general and administrative expenses	**2,780**	–
General and administrative expenses, net	**$ 4,956**	$ 1,340

The increase in General and Administrative ("G&A") expenses was primarily due to the inclusion of G&A expenses from Brazil following the Acquisition, as well as higher Canadian G&A expenses.

Canadian G&A expenses increased to $2.2 million for the quarter ended March 31, 2026, compared to $1.3 million in the first quarter of 2025. The increase reflects higher professional costs, including costs associated with the Company's Quebec assets along with those related to its recently acquired subsidiary Red Leaf.

Brazil G&A expenses were $2.8 million for the period March 31, 2026. These costs relate to the ongoing administrative and corporate support functions of PX Energy following the acquisition. As Brazil was acquired after the first quarter of 2025, there were no comparable G&A expenses in the prior year period.

Depletion, Depreciation, and Impairment

For the three months ended March 31, 2026, the Company recorded depletion and depreciation expense of $14.9 million (Q1 2025: $3.2 million). Of this amount, $3.8 million related to production from Canada and $11.1 million related to production from Brazil. The increase in depletion and depreciation expense compared to the prior year period reflects the inclusion of expense related to the Brazil assets following the Acquisition. Depletion and depreciation in Brazil are higher than in Canada due to the higher production and nature of the acquired asset base, including the integrated mining, processing and refining operations of PX Energy.

On a unit of production basis this expense increased to $31.00 per boe from $20.24 per boe for the first quarter 2026 mainly driven by a higher depletion rate on its Brazil assets. In Canada, on a unit of production basis, depletion and depreciation remained largely unchanged at $19.26 per boe (Q1 2025: $20.15 per boe). In Brazil, on a unit of production basis, depletion and depreciation was $39.26 per boe.

During the quarter, the Company assessed its property, plant, and equipment ("PP&E") assets for indicators of impairment or impairment reversals. No impairment was recorded for the three months ended

March 31, 2026. Commodity prices increased compared to year-end 2025, and as a result, no new impairment indicators were identified. The Company also considered whether the increase in commodity prices represented an indicator of impairment reversal for the impairments recorded at year-end 2025. No impairment reversal was recorded during the quarter. Management concluded that the increase in commodity prices may be temporary and influenced by geopolitical factors and therefore did not provide sufficient evidence of sustained improvement in long-term pricing assumptions or asset recoverability.

Share Based Compensation

The Company recorded share-based compensation expense of $0.4 million (Q1 2025: $0.5 million) net of $0.1 million (Q1 2025: $0.1 million) in expense that was capitalized during the year.

Finance income and expenses

For the three months ended March 31, 2026, the Company recorded finance income of $7.4 million and finance expense of $17.9 million. Both these amounts largely relate to the US$80 million secured bonds assumed in connection with the Acquisition. Finance income of $7.1 million was attributable to the appreciation of the Brazilian Reais relative to the US Dollar.

Finance expense for the current period was $17.9 million and is comprised of the following: i) $10.1 million of non-cash expense related to the embedded derivative associated with the Brent-linked interest component of the bonds. This non-cash amount reflects the impact of higher forward Brent prices for future periods; ii) $2.1 million of accretion expense related to the secured bonds as they accrete from the fair value on the closing of the Acquisition to their face value ; iii) $4.3 million related to the interest expense on the secured bonds and $1.3 million related to the interest expense on other obligations and iv) $0.1 million of other finance expenses. Please see note 19 for further details.

The embedded derivative will continue to be remeasured each reporting period, with changes recognized in finance expense. As a result, this component of finance expense may increase or decrease in future periods depending on movements in forward Brent prices and other valuation inputs. Under the agreed terms, the interest rate on the secured bonds was revised to a variable rate based on forward Brent prices with a maximum rate of 20% if Brent prices are US$95 per barrel or higher in the applicable quarter. Notwithstanding, the interest on the secured bonds is capped at 16% over the life of the bond. The issuer being the Company’s indirect subsidiary has elected to pay interest for 2026 in kind and not in cash.

Other Comprehensive Loss

For the three months ended March 31, 2026, the Company recorded foreign currency translation adjustments of $1.3 million (Q1 2025: nil) related to its foreign subsidiaries.

Net Loss and Total Comprehensive Loss

For the three months ended March 31, 2026, the Company recorded a net loss of $17.8 million compared to effectively nil net income in the comparative period last year.

Including other comprehensive income, the Company reported a total comprehensive loss of $16.5 million compared to nil in the same period last year.

Cash Flow from Operating Activities

The Company reported cash flow from operating activities of $3.1 million (Q1 2025: $3.4 million). The variance over the prior year is attributed to the higher cash flow from operations which was offset by a larger decrease in the non-cash working capital during the first quarter compared to the comparative period last year.

Cash Flow used in Investing Activities

The cash used in investing activities decreased to $5.3 million from $8.5 million in the comparative period. Current quarter investing activities included capital expenditures of $1.8 million and settlement of Red Leaf preferred shares acquisition cost of $2.2 million. This was offset by a small variance in working capital related to investing activities of $0.7 million this year compared to an increase of $9.4 million in the comparative period.

Cash Flow used in Financing Activities

Cash used in financing activities for the three months ended March 31, 2026, primarily related to repayments of $4.3 million in loans provided by certain customers in Brazil and $0.3 million of lease liability payments. These cash outflows were partially offset by $1.2 million proceeds received from the exercise of stock options during the quarter.

Capital Expenditures

	Three months ended March 31,	
($ thousands)	**2026**	2025
Canada	**$ 479**	$ 17,864
Brazil	**1,293**	–
Total Company	**$ 1,772**	$ 17,864

For the quarter ended March 31, 2026, the Company incurred capital expenditures of $1.8 million as follows:

- In Canada, $0.5 million was incurred to finish one well in Antler; and
- In Brazil, $1.3 million was spent on production assets.

For the quarter ended March 31, 2025, the Company incurred capital expenditures of $17.9 million as follows:

- In Alberta, $15.7 million to completing and tying-in three (1.5 net) wells at the Kakwa North;
- In Saskatchewan, $2 million was invested in a pressure maintenance scheme; and
- The remaining $0.2 million was spent on other assets including Jordan.

Liquidity and Capital Resources

The Company's objectives when managing its capital are firstly to maintain financial liquidity, and secondly to optimize the cost of capital at an acceptable risk to sustain the future development of the business. The

Company continues to manage its financial liquidity through ensuring capital expenditures can be financed through a combination of cash flow from operations, existing cash and available debt facilities.

The Company's current and long-term liabilities largely reflect the Acquisition completed in 2025. The Acquisition was financed primarily through the assumption of senior secured debt and a working capital deficit that remain the obligations of the acquired entities and not the parent company, Questerre. For more information, please refer to Note 4 of the Financial Statements.

As at March 31, 2026, the Company had cash and cash equivalents of approximately $20 million and a working capital deficit of $49.6 million. Of this working capital deficit $27.8 million relates to the Acquisition and is primarily non-cash.

This compares to a working capital deficit of $52 million at December 31, 2025. The reduction in the working capital deficit of $2.4 million reflects the adjusted funds from operation of $20.8 million less the increase in non-cash working capital items for the period.

The Company continues to assess financing alternatives that could restructure these obligations, improve liquidity, and reduce leverage related to the Acquisition. Any such transaction remains subject to market conditions, bondholder approvals, and other customary conditions. The Company has also implemented cost cutting measures in Brazil to improve cash flow from operations post the Acquisition. Subsequent to the end of the first quarter, the Company closed an asset disposition for cash proceeds of $23.5 million. The Company anticipates these proceeds combined with improved cash from operations with higher forecast commodity prices and the cost-cutting initiatives will improve its working capital position by year end.

At March 31, 2026, the Company's indirect subsidiary, Forbes Resources Brazil Holding SA, has senior secured bonds issued and outstanding. The secured bonds have a face value of US$80 million, mature on April 26, 2028, with the option for two one-year extensions and are secured by a fiduciary assignment of the equity of PX Energy and security over the assets of PX Energy. For 2026, interest incurred will not be paid in cash. It is accrued and added to the principal outstanding. The carrying value of these bonds at March 31, 2026, increased to $116.9 million from $100.8 million at December 31, 2025. The increase reflects net finance expenses incurred during the period including $10.1 million related to the fair value of the embedded derivative, accretion expense of $2.1 million, interest expense of $4.3 million and foreign exchange adjustment of $0.4 million.

At March 31, 2026, there were no material borrowings under its Canadian credit facility. Under the terms of the credit facilities, the Company has provided a covenant that it will maintain an Adjusted Working Capital Ratio greater than 1.0. The ratio is defined as current assets (excluding unrealized hedging gains and including undrawn Credit Facility A availability) to current liabilities (excluding bank debt outstanding and unrealized hedging losses) as it relates to the Company's assets in Canada only. The Adjusted Working Capital Ratio at March 31, 2026, was 2.49 (Q1 2025: 2.08) and the covenant was met. At March 31, 2026, and December 31, 2025, nil was drawn on the facility.

Following the closing of the Kakwa Central asset disposition on May 1, 2026, the Company's credit facility has been reduced to $10 million from $16 million, pending completion of the annual review. Any borrowing during this review are subject to posting of cash security in the amount of 110% of the borrowing.

The credit facilities are a demand facility and can be reduced, amended or eliminated by the lender for reasons beyond the Company's control. Should the credit facilities be reduced or eliminated, the Company would need to seek alternative credit facilities or consider the issuance of equity to enhance its liquidity. In the current market, the Company may be unable to secure additional financing on acceptable terms, if at all. The Company believes that it has access to sufficient financial liquidity to meet its foreseeable obligations in the normal course of operations over the next 12 months.

The Company is committed to the 2026 future development costs associated with proved reserves in its independent reserves assessment as of December 31, 2025. It anticipates that, as a result, reserves associated with wells drilled in 2026 will be transferred from the proved undeveloped to the proved producing category.

For a detailed discussion of the risks and uncertainties associated with the Company's business and operations, see the Risk Management section of the MD&A and the AIF.

Share Capital

The Company is authorized to issue an unlimited number of Common Shares. The Company is also authorized to issue an unlimited number of Class "B" Common voting shares and an unlimited number of preferred shares, issuable in one or more series. At March 31, 2026, and 2025, there were no Class "B" common voting shares outstanding and no other preferred shares outstanding besides the Series 2 Preferred Shares.

The following table provides a summary of the outstanding Common Shares, Preferred Shares and options as at the date of the MD&A and the current and preceding fiscal year end.

(thousands)	**May 14, 2026**	**March 31, 2026**	December 31, 2025
Common Shares	**452,213**	**452,213**	445,764
Series 2 Preferred Shares	**452,213**	**452,213**	–
Stock Options - Common shares	**40,210**	**40,110**	35,790
Stock Options - Preferred shares	**12,500**	**12,300**	–
Weighted average common shares			
Basic		**450,183**	429,083
Diluted		**452,115**	433,267

During the current quarter, the Company issued 6.5 million common shares on the exercise of stock options at a weighted average exercise price of $0.18 per share, resulting in gross proceeds of approximately $1.2 million cash. The exercise of these options increased share capital by the cash proceeds received and the transfer of the related amount previously recorded in contributed surplus.

In connection with the exercise, the Company will settle employee withholding tax obligations on behalf of optionees as additional compensation.

In January 2026, the Company completed the Quebec Spinout through a reorganization of its capital. The reorganization consisted of the exchange of one old Common Share for one new Common Share and one Series 2 Preferred Share. The Preferred Shares entitle holders to the economic benefits of the Quebec assets, and the Common Shares represent ownership of the remaining assets of the Company.

As part of the Acquisition at the end of the third quarter of 2025, the Company was obligated to issue 15 million Class "A" common voting shares with a deemed value of $5.0 million (the "First Tranche Common Shares"). As at March 31, 2026, these shares had not yet been issued, and the related amount has been recognized as a current liability.

The consideration also includes contingent equity consideration comprised of two additional tranches of 25 million Common Shares. At the acquisition date, these contingent shares were measured at an estimated fair value of $13.9 million and have been classified as equity and recorded in contributed surplus.

A summary of the Company's common stock option activity during the periods ended March 31, 2026, and December 31, 2025, are as follows:

	March 31, 2026			December 31, 2025		
	Number of Options *(thousands)*		Weighted Average Exercise Price	Number of Options *(thousands)*		Weighted Average Exercise Price
Outstanding, beginning of period	**35,790**	**$**	**0.25**	38,295	$	0.25
Granted	**12,875**		**0.27**	6,675		0.23
Forfeited	**(780)**		**0.28**	(2,880)		0.22
Expired	**(1,325)**		**0.18**	(325)		0.16
Exercised	**(6,450)**		**0.18**	(5,975)		0.20
Outstanding, end of period	**40,110**	**$**	**0.27**	35,790	$	0.25
Exercisable, end of period	**21,316**	**$**	**0.29**	28,288	$	0.26

Risk Management

Companies engaged in the petroleum and natural gas industry face a variety of risks. For Questerre, these include risks associated with commodity prices, exploration and development drilling as well as production operations, foreign exchange and interest rate fluctuations. Unforeseen significant changes in such areas as markets, prices, royalties, interest rates, government regulations and global economic conditions could have an impact on the Company's future operating results and/or financial condition. While Management realizes that all the risks may not be controllable, Questerre believes that they can be monitored and managed. For more information, please refer to the "Risk Factors" and "Industry Conditions" sections of the AIF and Note 19 to the audited consolidated financial statements for the year ended December 31, 2025.

The Company operates in an industry that is highly sensitive to commodity prices, market access, regulatory developments and the availability of capital. Questerre's financial performance and cash flow are substantially dependent on crude oil and natural gas prices, which remain volatile and are affected by factors beyond the Company's control, including global supply and demand, OPEC+ production decisions, geopolitical conflict, sanctions, trade policy, inflation, interest rates, foreign exchange movements, transportation constraints and general economic conditions. In 2026, oil markets remained sensitive to geopolitical and trade uncertainty and expectations of supply growth exceeding demand growth.

A sustained decline in commodity prices, or widening price differentials, could reduce the Company's cash flow from operations, limit funds available for capital expenditure and adversely affect the economic viability and value of its reserves and development opportunities. This may impair the Company's ability to replace production, advance projects and maintain financial flexibility.

These risks are particularly acute in Brazil, where Questerre's assets and operations are located and where current sales are derived from crude oil production. Brazilian laws and policies affecting foreign trade, the oil and gas fiscal regime and investment may change, and conducting business often entails numerous procedural requirements and formalities that can cause unexpected or lengthy delays; failure to comply may call into question the validity of corporate acts. Management cannot predict the impact of additional corporate or regulatory formalities that may be adopted, including whether they would materially increase costs or restrict operations. Questerre's financial condition and results of operations therefore depend to a significant extent on macroeconomic, political and regulatory conditions in Brazil and on exchange rates between the Brazilian reais, the U.S. dollar, and Canadian dollar any of which—individually or in combination—could have a material adverse effect on the Company.

In Canada, the Company remains exposed to Western Canadian pricing dynamics, natural gas market conditions, infrastructure availability and evolving regulatory and environmental requirements. Although the Trans Mountain Expansion has improved crude oil market access and reduced certain export constraints, the Canadian oil and natural gas industry continues to face risks relating to transportation availability, permitting timelines and emissions-related regulation, including methane requirements.

Access to capital is also a significant risk for the Company. As a junior exploration and production company, Questerre relies on cash flow from operations, debt and equity financing and strategic arrangements to fund its activities. There can be no assurance that sufficient capital will be available when required or that it will be available on acceptable terms. If the Company is unable to obtain sufficient capital, it may be required to defer, reduce or restructure planned capital programs or other strategic initiatives. Questerre faces several financial risks over which it has no control, such as commodity prices, exchange rates, interest rates, access to credit and capital markets, as well as changes to government regulations and tax and royalty policies.

The Company uses the following guidelines to address financial exposure:

- Internally generated cash flow provides the initial source of funding on which the Company's annual capital expenditure program is based.
- Equity, including flow-through shares, if available on acceptable terms, may be raised to fund acquisitions and capital expenditures.
- Debt may be utilized to expand capital programs, including acquisitions, when it is deemed appropriate and where debt retirement can be controlled.
- Farm-outs of projects may be arranged if management considers that a project requires too much capital or where the project affects the Company's risk profile.

Credit risk represents a potential financial loss to the Company if a customer or counterparty to a financial instrument fails to meet or discharge their obligation to the Company. Credit risk arises from the Company's receivables from joint venture partners and oil and gas marketers. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Credit risk also arises from the Company's cash and cash equivalents. In the past, the Company manages credit risk exposure by investing in Canadian banks and credit unions. Management does not expect any counterparty to fail to meet its obligations.

Poor credit conditions in the industry may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner if possible.

Substantially all of the accounts receivable are with oil and natural gas marketers and joint venture partners in the oil and natural gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable counterparties and partners.

Accounts receivable related to the sale of the Company's petroleum and natural gas production are paid in the following month from major oil and natural gas marketing and infrastructure companies and the Company has not experienced any credit loss relating to these sales to date. Pursuant to IFRS 9, the Company made a provision for Canada of $0.06 million at March 31, 2026, for its expected credit losses related to its accounts receivable.

Receivables from joint venture partners are typically collected within one to three months after the joint venture bill is issued. The Company mitigates this risk by obtaining pre-approval of significant capital expenditures.

The Company has issued and may continue in the future to issue flow-through shares to investors. The Company has historically used its best efforts to ensure that qualifying expenditures of Canadian Exploration Expense ("CEE") are incurred in order to meet its flow-through obligations. In 2017, the Federal Government amended the law regarding what expenses constitute CEE. Generally, oil and gas drilling expenses are now Canadian Development Expense rather than CEE. In the event that the Company has

CEE expenditures reclassified under audit by the Canada Revenue Agency or fails to incur expenditures required under a flow-through share agreement, the Company may be required to liquidate certain of its assets in order to meet the indemnity obligations under flow-through share subscription agreements.

Exploration and development drilling risks are managed through the use of geological and geophysical interpretation technology, employing technical professionals and working in areas where those individuals have experience. For its non-operated properties, the Company strives to develop a good working relationship with the operator and monitors the operational activity on the property. The Company also carries appropriate insurance coverage for risks associated with its operations.

The Company may use financial instruments to reduce corporate risk in certain situations. Questerre's hedging policy is up to a maximum of 40% of total production at management's discretion. During the three months ended March 31, 2026, the Company entered into commodity risk management contracts to manage its exposure to commodity price risk. As at March 31, 2026, the Company had an AECO natural gas swap and a WTI crude oil swap outstanding for the period from January 4, 2026, to January 1, 2027, with a combined fair value liability of $0.8 million. The fair value of these contracts is based on observable forward commodity prices and foreign exchange rates and is classified as a Level 2 fair value measurement.

				March 31, 2026
($ thousands) Term effective April 1, 2026 - December 31, 2026	Volume	Rate	Original Value	Fair Value
Swap AECO 7A (GJ)	687,500	$ 1.94	$ (139,445)	$ (139,445)
Swap WTI (USD) (bbl)	111,000	$ 74.50	$ 641,389	$ 892,492
Total Company				**753,047**

Environmental Regulation and Risk

The Company's operations are subject to extensive environmental laws and regulations in the jurisdictions in which it operates. These requirements govern, among other things, emissions, water use, waste handling, site restoration, abandonment and reclamation, and remediation of contaminated properties. Compliance with these requirements may increase capital expenditures, operating costs and administrative obligations, and may affect the timing and economics of the Company's exploration, development and production activities. Failure to comply could result in penalties, the suspension or revocation of approvals, remediation orders or other liabilities.

In Alberta, the Company remains exposed to changing emissions and methane requirements, including the TIER regime and enhanced methane rules that will require additional compliance, monitoring and operational costs over time. In Québec, the regulatory environment remains highly restrictive for hydrocarbon development. Québec has revoked exploration and production licences and requires the permanent closure and restoration of wells drilled under those licences, which may limit the Company's ability to realize value from those assets and may increase closure and reclamation obligations.

More broadly, climate-related policy, carbon regulation, methane requirements and changing stakeholder expectations may increase the Company's costs, reduce operational flexibility and affect the competitiveness and economic viability of certain projects. These developments may also affect reserve values, access to capital and the Company's ability to advance portions of its asset base. While the Company seeks to manage these risks through compliance, operational planning and ongoing monitoring of regulatory developments, there can be no assurance that future environmental or climate-related measures will not have a material adverse effect on its business, financial condition and results of operations.

For more information, please refer to the "Risk Factors" and "Industry Conditions" sections of the AIF.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Following the Acquisition, the Company is exposed to financing cost variability through the senior secured bonds assumed as part of the transaction. While the bonds have a fixed principal amount of US$80 million, the amended interest terms include a variable interest rate mechanism linked to Brent crude oil prices.

Under the amended bond terms, accrued and unpaid interest up to December 31, 2025, will convert into shares if the contemplated SPAC transaction is completed. If the SPAC transaction does not proceed, no interest is payable for 2025. Beginning in 2026, interest is payable quarterly at rates determined by reference to Brent crude oil prices, ranging from 4% per annum when Brent is below US$55 per barrel to 20% per annum when Brent exceeds US$95 per barrel, subject to an overall cap such that interest does not exceed 16% per annum over the term of the bonds. Interest in 2026 may be settled in cash or in kind at the issuer's election. From 2027 onward, interest is payable in kind if Brent prices are below US$65 per barrel.

The Brent-linked interest feature introduces variability in the Company's future finance costs and may impact the amount and timing of interest payments. The Company has determined that this feature represents an embedded derivative and has separated it from the host debt instrument for accounting purposes. The embedded derivative is measured at fair value through profit or loss at each reporting date.

At March 31, 2026, the Company's exposure to the Brent-linked interest feature was based on the bonds' US$80 million face value. The Company monitors this exposure as part of its assessment of financing costs, expected liquidity requirements, fair value movements and the potential cash or payment-in-kind settlement of future interest obligations.

At March 31, 2026, and December 31, 2025, the Company's credit facilities outstanding balance was essentially nil.

Critical Accounting Estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and judgments have risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Petroleum and Natural Gas Reserves

All of Questerre's petroleum and natural gas reserves are evaluated and reported on by independent petroleum engineering consultants in accordance with *National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities* and the COGE Handbook. For further information, please refer to "Statement of Reserves Data and Other Oil and Gas Information" in the AIF.

The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, commodity prices and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change to reflect updated information. Reserve estimates can be revised upward or downward based on the results of future drilling, testing, production levels and changes in costs and commodity prices. These estimates are evaluated by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimated proved plus probable reserves and there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves.

Reserve estimates impact a number of the areas, in particular, the valuation of property, plant and equipment and the calculation of depletion.

Cash Generating Units

A CGU is defined as the lowest grouping of assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations. Factors considered in the classification include geography and the way management monitors and makes decisions about its operations.

Impairment of Property, Plant and Equipment, Exploration and Evaluation Assets and Goodwill

The Company assesses its oil and natural gas properties, including exploration and evaluation assets and goodwill, for possible impairment or reversal of previously recognized impairments, other than goodwill, if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable or indications that previously recognized losses should be reversed. Determining if there are facts and circumstances present that indicate that carrying values of the assets may not be recoverable requires management's judgment and analysis of the facts and circumstances. Goodwill is tested for impairment annually.

The recoverable amounts of CGUs have been determined based on the VIU and the FVLCD. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are anticipated future commodity prices, expected production volumes, the discount rate, future operating and development costs and recent land transactions. Changes to these assumptions will affect the recoverable amounts of the CGUs and may require a material adjustment to their related carrying value.

Asset Retirement Obligation

Determination of the Company's asset retirement obligation is based on Government regulations, operator estimates, internal estimates using current costs and technology in accordance with existing legislation and industry practice and must also estimate timing, a risk-free rate and inflation rate in the calculation. These estimates are subject to change over time and, as such, may impact the charge against profit or loss. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a risk-free rate. The associated abandonment and retirement costs are capitalized as part of the carrying amount of the related asset. The capitalized amount is depleted on a unit of production basis in accordance with the Company's depletion policy. Changes to assumptions related to future expected costs, risk-free rates and timing may have a material impact on the amounts presented.

Share Based Compensation

The Company has a stock option plan enabling employees, officers and directors to receive Common Shares or cash at exercise prices equal to the market price or above on the date the option is granted. Under the equity settled method, compensation costs attributable to stock options granted to employees, officers or directors are measured at fair value using the Black-Scholes option pricing model. The assumptions used in the calculation are: the volatility of the stock price, risk-free rates of return and the expected lives of the options. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Changes to assumptions may have a material impact on the amounts presented.

Income Tax Accounting

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Company's estimate, the ability of the Company to realize the deferred tax assets could be impacted.

The determination of the Company's income and other tax assets or liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax asset or liability may differ significantly from that estimated and recorded by management.

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations,* Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of Questerre Energy Corporation for the interim reporting period ended March 31, 2026, have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of the Company's management.

The Company's external auditors, Ernst & Young LLP, have not performed a review of these unaudited interim condensed consolidated financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's external auditor.

Design and Evaluation of Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Questerre is required to comply with National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*" ("NI 52-109") and is required to make specific disclosures with respect to NI 52-109 as follows:

- The Company has designed and evaluated the effectiveness of Disclosure Controls and Procedures ("DC&P"). The President and Chief Executive Officer and the Chief Financial Officer have concluded that DC&P are designed appropriately and are operating effectively as at March 31, 2026.
- The Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR"), in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's ICFR as at March 31, 2026, and have concluded that such ICFR have been designed appropriately and are operating effectively.
- The Company reports that no changes were made to ICFR during the quarter ended March 31, 2026, that have materially affected or are reasonably likely to materially affect the Company's ICFR.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. Since the date of the Acquisition, Management has completed preliminary assessments of the internal controls over financial reporting of PX Energy and has identified certain deficiencies. Management is developing a remediation plan to address these deficiencies during the fiscal year 2026 and to integrate PX Energy's controls into the Company's overall internal control framework.

Quarterly Financial Information

($ thousands, except as noted)	Mar 31 **2026**	Dec 31 2025	Sep 30 2025	Jun 30 2025
Production (boe/d)	**6,180**	7,046	2,926	3,091
Average Realized Price ($/boe)	**89.47**	65.61	44.32	48.62
Petroleum and Natural Gas Revenue	**42,970**	42,530	11,801	13,675
Adjusted Funds Flow from Operations(1)	**20,801**	4,322	2,813	5,005
Cash Flow from Operations	**3,089**	1,680	1,294	6,288
Net Income (Loss)	**(17,832)**	(75,066)	(5,334)	(677)
Basic and Diluted ($/share)	**(0.04)**	(0.17)	–	–
Capital Expenditures, net of acquisitions and dispositions	**1,772**	4,459	2,248	1,048
Working Capital Surplus (Deficit)(2)	**(49,628)**	(51,971)	(40,330)	13,157
Total Assets	**401,366**	395,262	384,853	169,976
Shareholders' Equity	**61,800**	76,659	135,053	138,355
Weighted Average Common Shares Outstanding				
Basic (thousands)	**450,183**	429,083	428,516	428,516
Diluted (thousands)	**452,115**	434,968	434,523	431,505

(1) Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital and changes in non-cash contract revenue liability.
(2) Working capital surplus is a non-GAAP measure calculated as current assets less current liabilities excluding the current portion of risk management and lease liabilities.

($ thousands, except as noted)	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024
Production (boe/d)	1,729	1,887	1,913	1,559
Average Realized Price ($/boe)	58.66	55.43	53.75	62.36
Petroleum and Natural Gas Revenue	9,130	9,622	9,460	8,847
Adjusted Funds Flow from Operations(1)	3,543	3,703	3,428	4,455
Cash Flow from Operations	3,359	3,844	4,060	3,141
Net Income (Loss)	4	(8,143)	(273)	1,262
Basic and Diluted ($/share)	–	(0.02)	–	–
Capital Expenditures, net of acquisitions and dispositions	17,864	7,543	3,433	7,034
Working Capital Surplus(2)	9,202	23,035	27,608	27,620
Total Assets	181,519	170,723	178,731	179,248
Shareholders' Equity	139,006	138,629	145,887	145,941
Weighted Average Common Shares Outstanding				
Basic (thousands)	428,516	428,516	428,516	428,516
Diluted (thousands)	431,700	432,473	431,804	431,327

(1) Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital and changes in non-cash contract revenue liability.
(2) Working capital surplus is a non-GAAP measure calculated as current assets less current liabilities excluding the current portion of risk management and lease liabilities.

The general trends over the last eight quarters are as follows:

- The Acquisition significantly changed the Company's financial and operation profile effective September 30, 2025. It increased production, revenue, adjusted funds flow, total assets, total liabilities and the working capital deficit.
- Production increased in the last quarter of 2025 following the Acquisition and decreased in first quarter 2026 reflecting lower volumes in Brazil and natural declines in Canada.
- Petroleum and natural gas revenue remained unchanged at $43 million, compared to the last quarter but significantly higher than prior quarters due to the Acquisition.
- Adjusted funds flow increased to $20.8 million in the current quarter excluding $6.7 million in contract liabilities related to minimum sales volumes, reflecting a full quarter of contribution from PX Energy and improved operating results.
- Capital expenditures varied by quarter based on the timing and number of wells drilled, completed and brought on production in Canada.
- The working capital deficit decreased to $49.6 million at March 31, 2026, from $52 million at December 31, 2025, due to adjusted funds flow from operations.
- Total assets increased to $401.4 million at March 31, 2026, primarily due to the Acquisition and subsequent foreign exchange movements.

- Shareholders' equity declined over the period, primarily due to net losses recognized by the Company.

Off-Balance Sheet Transactions

The Company did not engage in any off-balance sheet transactions during the quarter ended March 31, 2026.

Consolidated Balance Sheets

($ thousands)	Note	March 31, 2026	December 31, 2025
Assets			
Current Assets			
Cash and cash equivalents		$ 19,944	$ 25,419
Accounts receivable	15	13,338	11,160
Inventory	6	10,318	8,593
Deposits and prepaid expenses		7,431	6,408
		51,031	51,580
Right-of-use assets	12	1,294	1,459
Property, plant and equipment	7	278,193	275,924
Exploration and evaluation asset	8	5,599	5,599
Intangible assets	9	5,746	5,452
Restricted cash	11	3,659	3,521
Other non current assets		6,680	5,766
Goodwill	4	49,164	45,961
		$ 401,366	$ 395,262
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	15	$ 24,255	$ 44,752
Advances from customers	15	8,744	13,367
Contract liabilities	15	8,750	2,026
Risk management contracts	15	753	–
Contingent consideration for original acquisition of PX Energy	13,15	4,961	3,259
Pending share issuance for acquisition	4,15	5,968	8,153
Lease liabilities	12,15	844	988
Liabilities related to business combination	4,15	22,760	22,760
Current portion of long-term debt	10,15	950	–
Other current liabilities	14,15	19,937	5,301
Current portion of asset retirement obligation	11	2,737	2,945
		100,659	103,551
Lease liabilities	12,15	463	485
Contingent consideration for original acquisition of PX Energy	13,15	9,695	13,228
Long-term Debt	10,15	115,925	100,755
Asset retirement obligation	11	35,749	33,100
Other long-term liabilities	14,15	10,251	10,187
Deferred tax liability		66,824	57,297
		$ 339,566	$ 318,603
Shareholders' Equity			
Share capital	17	$ 437,268	$ 435,225
Contributed surplus	17	44,058	44,427
Accumulated other comprehensive loss		(1,331)	(2,630)
Deficit		(418,195)	(400,363)
		61,800	76,659
		$ 401,366	$ 395,262

The notes are an integral part of these consolidated financial statements.

Signed on behalf of the Board of Directors

(Signed) Bjorn Inge Tonnessen, Director (Signed) Dennis Sykora, Director

Consolidated Statements of Net (Loss) and Income

			Three months ended March 31,	
($ thousands)	Note		**2026**	2025
Revenue				
Petroleum and natural gas sales including royalty revenue	18	$	**42,970**	$ 9,130
Royalties			**(1,190)**	(548)
Unrealized loss on commodity contracts	15		**(753)**	–
			41,027	8,582
Expenses				
Operating			**22,021**	3,712
General and administrative			**4,956**	1,340
Depletion and depreciation	7,9,12		**14,889**	3,151
Accretion	11		**568**	126
Gain on equity investment	5		**–**	(6)
Share based compensation	16		**426**	454
Other loss			**141**	–
			43,001	8,777
Finance income	19		**7,397**	199
Finance expense	19		**(17,863)**	–
Net income (loss)		$	**(12,440)**	$ 4
Deferred tax expense			**5,392**	–
Net income (loss)		$	**(17,832)**	$ 4
Net loss per share				
Basic and diluted	17	$	**(0.04)**	$ –

The notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Loss

		For the three months ended March 31,	
($ thousands)	Note	**2026**	2025
Net income (loss)		**$ (17,832)**	$ 4
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to net income:			
Foreign currency translation adjustment		**1,299**	(1)
Income on foreign exchange on investment		**–**	(4)
		1,299	(5)
Total comprehensive loss		**$ (16,533)**	$ (1)

Consolidated Statements of Changes in Equity

($ thousands)	Note		Three months ended March 31, 2026		2025
Share Capital					
Balance, beginning of period		$	435,225	$	429,878
Share based compensation reclassification			882		–
Proceeds from the exercise of stock options	17		1,161		–
Balance, beginning and end of period		$	437,268	$	429,878
Contributed Surplus					
Balance, beginning of period			44,427		29,283
Share based compensation reclassification			(882)		–
Share based compensation expense			513		378
Balance, end of period		$	44,058	$	29,661
Accumulated Other Comprehensive Income					
Balance, beginning of period			(2,630)		896
Other comprehensive loss			1,299		(5)
Balance, end of period		$	(1,331)	$	891
Deficit					
Balance, beginning of period			(400,363)		(321,428)
Net income (loss)			(17,832)		4
Balance, end of period		$	(418,195)	$	(321,424)
Total Shareholders' Equity		$	61,800	$	139,006

The notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

			Three months ended March 31,		
($ thousands)	Note		**2026**		2025
Operating Activities					
Net income (loss)		$	(17,832)	$	4
Adjustments for:					
Accretion of asset retirement	11		568		126
Depletion, depreciation	7,9,12		14,889		3,151
Loss of commodity contracts	15		753		–
Share based compensation	16		426		275
Unrealized foreign exchange gain			(7,103)		–
Deferred tax expense			5,392		–
Gain on equity pickup on investment			–		(6)
Interest income			(24)		–
Interest expense			15,707		–
Other items not involving cash			2,913		–
Cash taxes paid			(630)		–
Cash interest paid			(75)		–
Abandonment expenditures	11		(908)		(7)
			14,076		3,543
Change in non-cash working capital	20		(10,987)		(184)
Net cash from operating activities		$	3,089	$	3,359
Investing Activities					
Property, plant and equipment expenditures	7		(1,772)		(2,802)
Exploration and evaluation expenditures	8		–		(15,062)
Settlement of preferred shares liability for asset acquisition	5		(2,185)		–
Payment for contingent consideration paid by subsidiary	13		(618)		–
Change in non-cash working capital	20		(744)		9,383
Net cash used in investing activities		$	(5,319)	$	(8,481)
Financing Activities					
Proceeds from issue of share capital for options exercised	17		1,161		–
Principal portion of lease payments	12		(291)		(15)
Repayment of loans and financing			(4,264)		–
Net cash used in financing activities		$	(3,394)	$	(15)
Effect of foreign exchange on cash and cash equivalents			150		–
Change in cash, cash equivalents			(5,624)		(5,137)
Cash and equivalents, beginning of period			25,419		31,791
Cash, cash equivalents, end of period		$	19,945	$	26,654

The notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the quarters ended March 31, 2026, and 2025.

1. Reporting Entity and Basis of Preparation

Questerre Energy Corporation ("Questerre" or the "Company") is an energy technology and innovation company actively engaged in the acquisition, exploration and development of oil and gas projects, specifically, non-conventional projects such as tight oil, oil shale, shale oil and shale gas. Questerre is incorporated under the laws of the Province of Alberta and is domiciled in Canada. The address of its registered office is 1650, 801 Sixth Avenue SW, Calgary, Alberta.

The unaudited condensed interim consolidated financial statements of the Company are comprised of Questerre Energy Corporation, and its wholly-owned subsidiaries including Questerre Energy Corporation/Jordan, which holds interests in Jordan, Paraná Xisto S.A. ("PX Energy"), based in Brazil that owns the integrated oil shale assets in the country and Red Leaf Resources Inc. ("Red Leaf"), a technology company in the USA focused on developing, its proprietary technology to produce oil from organic material, primarily oil shale.

These unaudited condensed interim consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IFRS Accounting Standards").

The financial statements follow the same accounting policies as the most recent annual audited consolidated financial statements. The financial statements note disclosures do not include all of those required by IFRS Accounting Standards applicable for annual consolidated financial statements. Accordingly, these financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2025.

The financial statements have been prepared on a historical cost basis except those items that are presented at fair value with changes in fair value recorded in profit or loss and changes due to currency translation adjustments recorded through other comprehensive income or loss as disclosed in Note 18.

These financial statements are presented in Canadian dollars, which is the functional currency of the parent company. The functional currency of PX Energy is the Brazilian real, Jordanian dinar for Questerre Energy corporation/Jordan, and the United States dollar for Red Leaf.

These financial statements were authorized for issue by the Company's board of directors on May 14th, 2026.

2. Recent Accounting Pronouncements

New Accounting Standards and Interpretations not yet Adopted

Presentation and Disclosure in Financial Statements

IFRS 18 'Presentation and Disclosure in Financial Statements' ("IFRS 18") was issued in April 2024 by the International Accounting Standards Board and replaces IAS 1 'Presentation of Financial Statements'. The standard introduces a new defined structure to the Statement of Comprehensive Income with related disclosure requirements. Key changes to the Statement of Comprehensive Income and Notes to the Consolidated Financial Statements include:

- classification of income and expenses into defined categories with mandatory new subtotals;
- disclosure of management-defined performance measures in the notes to the financial statements; and
- enhanced aggregation and disaggregation requirements to improve the effectiveness of how information is communicated.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is required to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the extent of the impact of IFRS 18 on its consolidated financial statements.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

On May 30, 2024, the IASB issued amendments to IFRS 9, "Financial Instruments", and IFRS 7, "Financial Instruments: Disclosures". The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as FVOCI were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively. The amendments did not have a material impact on the financial Statements.

3. Segmented Assets

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources, and assessing operational performance by Questerre's chief operating decision makers comprising of the Chief Executive Officer and other members of executive management. The operating segments have been aggregated based on several factors including geographic location and stage of development as well as the assignment of reserves and resources.

The accounting policies applied by the segments are the same as those applied by the Company.

The Company's operating segments at year-end are as follows:

- Brazil – Integrated oil shale operations include, mining, refining, processing, and distribution
- Western Canada – Exploration and development activities in Western Canada including Alberta, Saskatchewan and Manitoba with existing production of natural gas, crude oil and natural gas liquids

- Quebec – Claim against the Government of Quebec for an attempted revocation of licenses for a significant natural gas discovery in the province
- Corporate & other – General and administrative resources to manage the respective operating segments. Includes exploration activities in the Kingdom of Jordan and ownership of Red Leaf

Segmented assets are those assets associated with each operating segment as recorded on the consolidated balance sheets.

The table below details the breakdown of assets by operating segment to the consolidated balance sheets and the reconciliation of loss by operating segment to the consolidated statements of net loss and comprehensive loss.

($ thousands)	Brazil	Western Canada	Quebec	Corporate & other	Consolidated
Assets by operating segment					
Exploration and evaluation	$ –	$ 5,599	$ –	$ –	$ 5,599
Property, plant & equipment	196,405	78,183	–	3,605	278,193
Other	96,305	6,358	–	14,911	117,574
Total assets, March 31, 2026	$ 292,710	$ 90,141	$ –	$ 18,516	**$ 401,366**
Exploration and evaluation	$ –	$ 5,599	$ –	$ –	$ 5,599
Property, plant & equipment	190,765	81,589	–	3,570	275,924
Other	35,004	51,456	–	27,278	113,739
Total assets, December 31, 2025	$ 225,770	$ 138,644	$ –	$ 30,848	**$ 395,262**
Results by operating segment for quarters ended					
Revenue	$ 32,255	$ 10,715	$ –	$ –	$ 42,970
Operating costs including royalties	(18,515)	(4,578)	(118)	–	(23,211)
General and administrative	(2,779)	(1,662)	(235)	(280)	(4,956)
Depletion, depreciation, accretion and impairment	(11,470)	(3,959)	–	(27)	(15,456)
Other income (expenses)	(10,716)	–	–	(1,071)	(11,787)
Total loss, March 31, 2026	$ (11,225)	$ 516	$ (353)	$ (1,378)	**$ (12,440)**
Deferred tax expense					(5,392)
Total loss, March 31, 2026					**$ (17,832)**
Revenue	$ –	$ 9,130	$ –	$ –	$ 9,130
Operating costs including royalties	–	(3,957)	(303)	–	(4,260)
General and administrative	–	(1,209)	(132)	–	(1,340)
Depletion, depreciation, accretion and impairment	–	(3,151)	–	–	(3,151)
Other income (expenses)	–	–	–	(375)	(375)
Total income, March 31, 2025	$ –	$ 814	$ (435)	$ (375)	**$ 4**

4. Business Combination

On September 26, 2025, the Company closed the acquisition of 100% of the common shares of PX Energy, a privately held oil shale production and refining company based in southern Brazil (the "Acquisition"), through the purchase of all issued and outstanding shares of its parent company, Forbes Resources Brazil Holding SA ("FRBH"). The Acquisition was accounted for as a business combination using the acquisition method under IFRS 3.

As disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2025, the preliminary purchase price allocation included total consideration of $41.7 million, comprised of the pending issuance of common shares valued at $5 million (the "First Tranche Common Shares"), contingent equity consideration of $13.9 million, and assumed vendor liabilities of $22.8 million. The assumed vendor liabilities included convertible promissory notes with principal of $15.2 million, and the assumption of a certain liabilities including obligations under a business combination agreement ("BCA") with a special purpose acquisition company ("SPAC") with an estimated fair value of $7.6 million.

The contingent equity consideration is issuable upon the earlier of: (a) achievement of US$30 million in free cash flow within any twelve month period between the closing of the Acquisition and September 30, 2027, or completion of an equity financing of $25 million at $0.50 per common share on or before September 30, 2027; and (b) achievement of US$40 million in free cash flow within any twelve month period between the closing of the Acquisition and September 30, 2028, or completion of an equity financing of $25 million at $1.00 per common share on or before September 30, 2028. The contingent equity consideration has been classified as equity.

As of March 31, 2026, and December 31, 2025, the First Tranche Common Shares had not been issued. The obligation to issue the shares remains a liability.

Convertible Promissory Notes and Current Liabilities

As part of the Acquisition, the Company's subsidiary, 2744026 Alberta Ltd., assumed the vendor's obligations under the BCA with the SPAC. Pursuant to the BCA, the Company's wholly owned subsidiary is required to complete a go-public transaction with the SPAC, subject to certain conditions precedent, including regulatory approvals, the filing of a Proxy/Registration Statement with the US Securities and Exchange Commission and the completion of this transaction prior to December 31, 2026. At the acquisition date, the Company recognized assumed obligations and other liabilities related to BCA with an estimated fair value of $7.6 million.

In addition, subject to the issuance of the First Tranche Common Shares and related conditions under the BCA, the Company's subsidiary will assume convertible promissory notes. An obligation has been recorded to assume the notes measured at their fair value of $15.2 million. As at March 31, 2026, and December 31, 2025, the notes have not been assumed and the obligation remains outstanding.

Upon completion of the SPAC transaction, the notes are convertible into common shares of the SPAC. If the SPAC transaction does not proceed, the notes are due and payable or convertible into equity of the Company's subsidiary.

The following table summarizes the preliminary allocation of the consideration and the fair values of the assets acquired and liabilities assumed at the date of the acquisition and is subject to change upon the final adjustments to working capital:

Consideration Transferred		*($ thousands)*
Pending share issuance for acquisition	$	4,950
Contingent equity consideration		13,941
Obligations related to convertible promissory notes		15,188
Assumed liabilities		7,572
Total consideration transferred	$	41,651

Identifiable Assets Acquired and Liabilities Assumed		*($ thousands)*
Cash and cash equivalents	$	1,228
Restricted cash		1,254
Accounts receivable		5,920
Prepaid tax contributions		7,572
Inventory		9,128
Deposits and prepaid expenses		3,351
Right-of-use assets		1,698
Property, plant and equipment		209,203
Intangible asset		5,755
Goodwill		47,900
Other assets		709
Total assets acquired	$	293,718
Accounts payable and accrued liabilities	$	(15,792)
Advances from customers		(10,320)
Tax Contributions		(24,964)
Lease liabilities		(1,698)
Deferred tax liabilities		(61,873)
Other liabilities		(15,333)
Contingent consideration for original acquisition of PX Energy		(17,348)
Secured debt		(95,539)
Asset retirement obligation		(9,200)
Total liabilities assumed	$	(252,067)
Net Identifiable Assets Acquired	$	41,651

Goodwill

($ thousands)	March 31, 2026	December 31, 2025
Balance, beginning of year	$ 45,961	$ –
Arising on a business combination (Note 4)	–	47,900
Foreign currency translation adjustment	3,203	(1,939)
Balance, end of period	$ 49,164	$ 45,961

The goodwill of $47.9 million was recognized on the Acquisition, principally due to the recognition of deferred tax liabilities arising from difference between the assigned fair values and the tax basis of the acquired assets and liabilities assumed in a business combination. As at March 31, 2026, goodwill was $49.2 million, compared to $46 million as at December 31, 2025. The increase of $3.2 million during the three months ended March 31, 2026, was due to foreign currency translation adjustments.

Acquisition Related Costs

Acquisition related costs incurred in connection with the transaction were expensed as incurred. These costs totaled $3.3 million for the year ended December 31, 2025. No additional acquisition related costs were recognized during the three months ended March 31, 2026.

5. Red Leaf Acquisition

On December 30, 2025, the Company acquired the remaining equity interest in Red Leaf, increasing its ownership from approximately 38% to 100%. Total consideration of $8.6 million consisted primarily of (i) the issuance of Questerre common shares to Red Leaf common shareholders and (ii) cash consideration payable in respect of the acquisition of Red Leaf preferred shares. During the quarter, the portion of consideration related to the preferred shares of $2.2 million was paid. As at March 31, 2026, consideration related to the common shares remains unpaid and has been recognized as a current liability.

The Company assessed the acquired set of activities and assets and concluded that Red Leaf did not meet the definition of a business under IFRS 3 *Business Combinations*. As substantially all of the fair value of the gross assets acquired was concentrated in a group of similar identifiable assets, the transaction was accounted for as an asset acquisition and not as a business combination.

	($ thousands)
Cash and cash equivalents	$ 10,792
Restricted cash	2,050
Property, plant and equipment	3,570
Asset retirement obligation	(3,098)
Net Assets Acquired	$ 13,314

6. Inventory

($ thousands)		March 31, 2026		December 31, 2025
Finished goods [1]		**2,878**	$	2,646
In-process products [2]		**1,084**		876
Materials and supplies [3]		**10,475**		8,904
Provision for inventory obsolescence		**(4,119)**		(3,814)
Provision for adjustments to net realizable value		**–**		(19)
Balance, end of period	**$**	**10,318**	$	8,593

(1) Includes fuel oil, LPG, sulfur, naphtha, shale water and fuel gas
(2) Shale oil and oily water
(3) Includes operating materials and sludge acquired from third-party

7. Property, Plant and Equipment

A reconciliation of the PP&E assets is detailed below.

($ thousands)		
Cost or deemed cost:		
Balance, December 31, 2024	$	326,926
Acquired on close of business combination (see Note 4)		209,203
Asset acquisition (Note 5)		3,570
Capital additions		9,609
Transfer from exploration and evaluation assets		23,515
Changes to asset retirement obligation		426
Foreign exchange adjustments		(8,403)
Balance, December 31, 2025	$	564,846
Capital additions		1,849
Changes to asset retirement obligation		1,907
Foreign exchange adjustments		14,154
Balance, March 31, 2026	**$**	**582,756**
Accumulated depletion, depreciation and impairment losses:		
Balance, December 31, 2024	$	210,231
Depletion and depreciation		29,280
Impairment		49,795
Foreign exchange adjustments		(384)
Balance, December 31, 2025	$	288,922
Depletion and depreciation		14,542
Foreign exchange adjustments		1,099
Balance, March 31, 2026	**$**	**304,563**

($ thousands)		
Net book value:		
At December 31, 2025	$	275,924
At March 31, 2026	**$**	**278,193**

During the quarter ended March 31, 2026, and 2025, the Company capitalized administrative overhead charges of $0.2 million (March 31, 2025: $0.2 million) and shared based compensation of $0.1 million (March 31, 2025: $0.1 million) that were directly attributable to development activities. Included in depletion calculation at March 31, 2026, are future development costs of $279.2 million (March 31, 2025: $308.1 million) for Canada and $165.9 million (March 31, 2025: nil) for Brazil. Included in property, plant and equipment are land value at $8.3 million and assets under construction valued at $3.3 million, which are not subject to depletion or depreciation.

At March 31, 2026, there were no indicators of impairment or impairment reversal for PP&E assets.

8. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of technical feasibility and commercial viability. Additions represent the Company's share of costs incurred on exploration and evaluation assets during the period.

A reconciliation of the movements in exploration and evaluation assets is detailed below.

($ thousands)		**March 31, 2026**		December 31, 2025
Balance, beginning of year	**$**	**5,599**	$	13,106
Additions		**–**		16,008
Transfers to property, plant and equipment		**–**		(23,515)
Balance, end of period	**$**	**5,599**	$	5,599

During the year ended December 31, 2025, the Company did not capitalize any administration overhead or share based compensation expense directly related to exploration and evaluation activities. At March 31, 2026, there were no indicators of impairment for E&E assets.

9. Intangible Assets

($ thousands)	March 31, 2026	December 31, 2025
Balance, beginning of year	$ 5,452	$ –
Software (acquired on close of business combination see Note 4)	–	5,755
Additions	11	14
Depreciation	(94)	(85)
Foreign exchange adjustments	377	(232)
Balance, end of period	$ 5,746	$ 5,452

($ thousands)		
Net book value:		
Costs	$ 5,840	$ 5,537
Accumulated depreciation	(94)	(85)
Balance, end of period	$ 5,746	$ 5,452

10. Debt

($ thousands)	March 31, 2026	December 31, 2025
Balance, beginning of year	$ 100,755	$ –
Secured bonds acquired through a business combination (see Note 4)	–	95,539
Accretion	2,093	2,271
Interest expense	4,281	–
Fair value of embedded derivative related to interest on bonds	10,113	
Foreign currency translation adjustments	(367)	2,945
Balance, end of period	$ 116,875	$ 100,755
Current [1]	950	–
Long-term	115,925	100,755
Balance, end of period	$ 116,875	$ 100,755

[1] *Current portion of the long-term debt is related to the current portion of the embedded derivative.*

Secured Bonds

In connection with the Acquisition, the Company acquired senior secured bonds issued by FRBH with a maturity date of April 26, 2028. The bonds have a face value of US$80 million and had an acquisition date fair value of US$64 million. The carrying amount accretes to the face value over the term of the bonds, with accretion recognized as finance costs using the effective interest method. The bonds are secured by a fiduciary assignment of the equity of PX Energy and security over the assets of PX Energy.

In conjunction with the closing of the Acquisition, the holders of the bonds representing a requisite majority agreed to amend certain bond terms including a reduction in interest from 16% to 10% per annum effective August 1, 2025.

Accrued and unpaid interest to December 31, 2025, will convert into shares in the SPAC transaction. If the SPAC transaction does not proceed, no interest is payable for 2025. Beginning in 2026, interest is payable quarterly based on Brent pricing, ranging from 4% per annum when Brent is below US$55 per barrel to 20% per annum when Brent is above US$95 per barrel, subject to interest not exceeding 16% over the term of the bonds. Interest in 2026 may be paid in cash or in kind at the issuer's election. From 2027 onward, interest is payable in kind if Brent prices are below US$65 per barrel, as detailed below.

The maturity may be extended for two one year terms for a fee of 2% of the principal for each extension.

Additional amendments to the bond terms were also approved including covenant waivers to permit the normal operation of bank accounts and working capital, including waivers to reduce the minimum liquidity to US$3.2 million and a waiver to comply with the interest coverage ratio up to and including December 31, 2025.

Below are the main financial covenant clauses of the outstanding bonds:

- Interest coverage ratio greater than 1.3x;
- Minimum liquidity of US$3.2 million.

As at March 31, 2026, the Company was in compliance with the covenants under the amended bond terms.

Embedded derivative

The amended bond terms include a variable interest rate mechanism whereby interest payable after December 31, 2025 varies quarterly based on Brent crude oil prices. This feature results in interest increasing or decreasing as Brent prices change, subject to the limits set out in the amended bond terms.

The Company has determined that the Brent-linked interest feature represents an embedded derivative as the economic characteristics and risks of the variable interest feature are not closely related to the host debt instrument. The embedded derivative has been separated from the host debt instrument and is measured at fair value through profit or loss. The host debt instrument is measured at amortized cost using the effective interest method.

At March 31, 2026, the fair value of the embedded derivative was $10.1 million and was included in the carrying value of the secured bonds on the consolidated balance sheets. For the three months ended March 31, 2026, the Company recognized $10.1 million related to the change in fair value of the embedded derivative within finance expenses in the consolidated statements of loss and comprehensive loss. The current portion of the secured bonds includes the portion of the embedded derivative related to interest expected to be incurred within the next twelve months.

The fair value of the embedded derivative is determined using a valuation model that incorporates Brent forward pricing, the contractual interest rate formula, expected interest payment dates, expected cash or payment-in-kind settlement assumptions, foreign exchange rates and a market-based discount rate. The embedded derivative is classified as a Level 3 fair value measurement within the fair value hierarchy.

Credit Facilities

Following the closing of the Kakwa Central asset disposition on May 1, 2026, the Company's credit facility has been reduced to $10 million from $16 million, pending completion of the annual review. Any borrowing during this review are subject to posting of cash security in the amount of 110% of the borrowing. It can be used for general corporate purposes, ongoing operations, and capital expenditures within Canada. As such, the calculation of the covenant below excluded as amounts related to the Acquisition. Any borrowing under the credit facilities, with the exception of letters of credit, bears interest at the bank's prime interest rate and an applicable basis point margin.

Under the terms of the credit facility, the Company has provided a covenant that it will maintain an Adjusted Working Capital Ratio greater than 1.0. The ratio is defined as current assets (excluding unrealized hedging gains and including undrawn Facility A availability) to current liabilities (excluding outstanding bank debt and unrealized hedging losses) and only relates to the Company's assets in Canada. The Adjusted Working Capital Ratio at March 31, 2026, was 2.49 (Q1 2025: 2.08) and the covenant was met. At March 31, 2026, and December 31, 2025, nil was drawn on the facility.

The credit facilities are a demand facility and can be reduced, amended or eliminated by the lender for reasons beyond the Company's control. Should the credit facilities, in fact, be reduced or eliminated, the Company would need to seek alternative credit facilities or consider the issuance of equity to enhance its liquidity. The next scheduled review will be completed in the second quarter of 2026.

11. Asset Retirement Obligation

The Company's asset retirement and abandonment obligations result from its ownership interest in oil and natural gas assets. The total asset retirement obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future periods. For the Canadian assets, the Company has estimated the net present value of the asset retirement obligation to be $20 million as at March 31, 2026 (2025: $20 million) based on an undiscounted total future liability of $23.3 million (2025: $23.4 million). These payments are expected to be made over the next 31 years. The average discount factor, being the risk-free rate related to the liabilities, is 3.13% (2025: 3%). An inflation rate of 2% (2025: 2%) over the varying lives of the assets is used to calculate the present value of the asset retirement obligation.

For the Brazilian assets, the Company has estimated the net present value of the asset retirement obligation to be $15.4 million as at March 31, 2026, (December 31, 2025: $13 million) based on an undiscounted total future liability of $26.3 million (December 31, 2025: $23.9 million). These payments are expected to be made over the next 17 years. The average discount factor, being the risk-free rate related to the liabilities, is 12.5% (December 31, 2025: 12.3%). An inflation rate of 3.5% (December 31, 2025: 3.5%) over the varying lives of the assets is used to calculate the present value of the asset retirement obligation.

The following table provides a reconciliation of the Company’s total asset retirement obligation:

($ thousands)		March 31, 2026		December 31, 2025
Balance, beginning of year	$	36,045	$	19,410
Acquired through a business combination (see Note 4)		–		9,200
Revalue of obligation acquired through a business combination		–		2,676
Acquired on a asset acquisition		–		3,098
Liabilities incurred		2,005		110
Change in estimates and discount rates		(171)		315
Liabilities settled		(908)		(1,072)
Accretion		568		2,817
Foreign exchange adjustments		947		(509)
Balance, end of period	$	38,486	$	36,045
Current portion		2,737		2,945
Non-current portion		35,749		33,100
Balance, end of period	$	38,486	$	36,045

PX Energy maintains deposits in financial institutions to comply with the requirements of ANP Resolution No. 854/2021 related to these assets retirement obligations. These investments have restricted cash characteristics and are only moved annually based on the ANP's review of the amount of the subsidiary's environmental liabilities and determination of the amount to be maintained as a restricted cash.

During the fourth quarter of 2025, PX Energy identified a risk of non-compliance with certain of these requirements which could potentially have a financial loss to the Company. The Company is in discussions with the issuing bank to amend the covenant terms and provide alternative forms of security or guarantees. Red Leaf maintains a deposit of US$1.4 million to secure its abandonment and reclamation obligations in the State of Utah.

12. Right-of-use Assets and Lease Liabilities

a) *Right-of-use assets*

($ thousands)		March 31, 2026		December 31, 2025
Balance, beginning of year	$	1,459	$	128
Acquired through a business combination (Note 4)		–		1,698
Additions		–		(12)
Depreciation		(256)		(285)
Currency translation adjustment		91		(70)
Balance, end of year	$	1,294	$	1,459

b) *Lease liabilities*

($ thousands)	March 31, 2026	December 31, 2025
Balance, beginning of year	$ 1473	$ 139
Additions	–	2
Acquired through a business combination (Note 4)	–	1,698
Interest expense	36	22
Lease payments	(291)	(319)
Currency translation adjustment	89	(69)
Balance, end of period	$ 1,307	$ 1,473
Current portion	844	988
Long term portion	463	485
Balance, end of period	$ 1,307	$ 1,473

13. Contingent consideration for the acquisition

($ thousands)	March 31, 2026	December 31, 2025
Balance, beginning of year	$ 16,487	$ –
Acquired through a business combination (Note 4)	–	17,348
Fair value adjustment in profit and loss (Note 20)	494	(255)
Payment	(618)	(2,160)
Reclass to other liabilities	(2,778)	–
Foreign currency translation adjustment	1,071	1,554
Balance, end of period	$ 14,656	$ 16,487

($ thousands)	March 31, 2026	December 31, 2025
Current	$ 4,961	$ 3,259
Long Term	9,695	13,228
Balance, end of period	$ 14,656	$ 16,487

In connection with the Acquisition, the Company assumed a liability that formed part of the acquired business and recognized it as an identifiable liability assumed in the business combination. The liability was initially measured at its fair value at the acquisition date.

As part of the prior acquisition agreement in respect of PX Energy, additional contingent consideration is payable annually to Petrobras, the original owner of PX Energy, until the end of 2027. The contingent consideration is determined based on incremental volumes of oil sludge purchased by PX Energy from the seller and is linked to the future price of fuel oil.

The contingent consideration is classified as a financial liability and measured at fair value, taking into account the projected volumes of oil sludge purchases for the remaining term of the arrangement and forecast fuel oil prices. The fair value measurement incorporates significant unobservable inputs and is therefore classified within Level 3 of the fair value hierarchy.

Subsequent changes in the fair value of the contingent consideration, other than measurement period adjustments recorded in accordance with IFRS 3, are recognized in profit or loss in the period of remeasurement.

14. Other Long-Term Liabilities

($ thousands)	March 31, 2026	December 31, 2025
Taxes and contributions	$ 18,206	$ 7,077
Provision for contingencies	8,742	7,876
Other Long-term liabilities	3,240	535
Less: Current Other liabilities	(19,937)	(5,301)
Other long-term liabilities	$ 10,251	$ 10,187

15. Financial Instruments and Risk Management

Financial Instruments

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as credit risk, liquidity risk and market risk. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure.

At March 31, 2026, the Company's financial instruments included cash and cash equivalents, accounts receivable, deposits, risk management contracts, credit facilities and accounts payable and accrued liabilities, lease obligations, debt. And embedded derivative. As at March 31, 2026, the fair values of cash and cash equivalents, accounts receivable, deposits, credit facilities and accounts payable and accrued liabilities approximated their carrying values due to their short-term maturity.

The Company's long-term debt and long-term financial liabilities are recorded at amortized cost using the effective interest method. At March 31, 2026, the carrying value of secured debt accounted for under amortized cost was $107 million (December 31, 2025: $100.8 million) and the fair value at March 31, 2026, was $95.9 million (December 31, 2025: $115.7 million). The Company's risk management contracts and the estimated fair value of long-term debt is based on pricing sourced from market data, which are considered as Level 2 measurement in the three level fair value measurement hierarchy.

Disclosures about the inputs to fair value measurements are required, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

Level 1 Fair Value Measurements

Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair Value Measurements

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 Fair Value Measurements

Level 3 fair value measurements are based on unobservable information.

The fair value measurement of PP&E, E&E, right-of-use assets and contingent payments made by subsidiary for acquisition have a fair value hierarchy of Level 3.

Credit risk

Credit risk represents a potential financial loss to the Company if a customer or counterparty to a financial instrument fails to meet or discharge their obligation to the Company. Credit risk arises principally from the Company's receivables from joint venture partners and oil and gas marketers. The carrying amounts of accounts receivable and cash and cash equivalents represent the maximum credit exposure.

Substantially all of the accounts receivable are with oil and natural gas marketers and joint venture partners in the oil and natural gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable counterparties and partners.

Accounts receivable related to the sale of the Company's petroleum and natural gas production is paid in the following month from major oil and natural gas marketing companies and the Company has not experienced any credit loss relating to these sales.

Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued. The Company mitigates this risk by obtaining pre-approval of significant capital expenditures.

The Company's accounts receivables are aged as follows:

($ thousands)	March 31, 2026	December 31, 2025
Current	$ 10,361	$ 11,016
31 - 60 days	27	3
61 - 90 days	2,800	105
>90 days	150	36
Balance, end of period	$ 13,338	$ 11,160

The Company does not anticipate any material default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. There are no material financial assets that the Company considers past due that are considered impaired.

Cash and cash equivalents include cash bank balances and short-term deposits. The Company manages the credit risk exposure by investing in Canadian banks. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's processes for managing liquidity risk include ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual capital expenditure budgets which are monitored and are updated as required. In addition, the Company requires authorizations for expenditures on projects to assist with the management of capital.

Since the Company operates in the upstream oil and natural gas industry, it requires sufficient cash to fund capital programs necessary to maintain or increase production, develop reserves and to potentially acquire strategic assets. The Company's capital programs are funded principally by cash obtained through its credit facilities, equity issuances and from operating activities. During times of low oil and natural gas prices or when cash resources may be limited, a portion of capital programs can generally be deferred, however, due to the long cycle times and the importance to future cash flow in maintaining the Company's production, it may be necessary to utilize alternative sources of capital to continue the Company's strategic investment plan during periods of low commodity prices. As a result, the Company frequently evaluates the options available with respect to sources of long and short-term capital resources. Occasionally, to the extent possible, the Company will use derivative instruments to manage cash flow in the event of commodity price declines.

The Company's financial obligations relate to amounts due under the credit facilities, including trade and other payables, which consist of invoices payable to trade suppliers relating to the office and field operating activities and its capital spending program. The Company processes invoices within a normal payment period and all amounts are due within the next 12 months.

The timing of cash outflows relating to financial liabilities as at March 31, 2026, and December 31, 2025, are as follows:

($ thousands)	Less than one year	One - Two years	Remaining years	Total
Accounts payable and accrued liabilities	$ 24,188	$ 67	$ –	$ 24,255
Advances from customers	8,744	–	–	8,744
Risk management contracts	753	–	–	753
Contract liabilities	8,750	–	–	8,750
Taxes and Social Contribution	13,496	2,988	1,641	18,125
Pending Share issuance for acquisition	5,968	–	–	5,968
Lease liabilities	844	228	235	1,307
Secured debt	950	115,925	–	116,875
Current liabilities related to business combination	22,760	–	–	22,760
Contingent consideration for original acquisition of PX Energy	4,961	9,695	–	14,656
Other liabilities	19,937	4,754	5,497	30,188
March 31, 2026	$ 111,351	$ 133,658	$ 7,373	$ 252,381

($ thousands)	Less than one year	One - Two years	Remaining years	Total
Accounts payable and accrued liabilities	$ 44,752	$ –	$ –	$ 44,752
Advances from customers	13,367	–	–	13,367
Contract liabilities	2,026	–	–	2,026
Share issuance for acquisition	8,153	–	–	8,153
Lease liabilities	988	304	181	1,473
Secured debt	–	100,755	–	100,755
Current liabilities related to business combination	22,760	–	–	22,760
Contingent consideration for original acquisition of PX Energy	3,259	13,228	–	16,487
Other liabilities	5,301	10,187	–	15,488
December 31, 2025	$ 100,606	$ 124,474	$ 181	$ 225,261

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's profit or loss or the value of the financial instruments. The objective of the Company is to mitigate exposure to these risks while maximizing returns to the Company.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The Company's financial performance is closely linked to crude oil and refined product prices (including pricing differentials for various product types) and, to some extent to electricity prices as one of the major costs of production. Commodity prices for oil and natural gas are impacted not only by the relationship between the Canadian and United States dollar, Brazilian Reais and US Dollar, but also world economic events that dictate the levels of supply and demand.

To reduce cash flow volatility, the Company may enter into commodity risk management contracts for future sales of oil and natural gas. These contracts are intended to reduce volatility in revenue by fixing prices on a portion of future production.

At March 31, 2026, the Company had the following commodity risk management contracts outstanding for the period from January 4, 2026, to January 1, 2027. These contracts had a net liability fair value of $0.8 million recorded as a liability at March 31, 2026, compared to nil at December 31, 2025.

							March 31, 2026
($ thousands) Term effective April 1, 2026 - December 31, 2026	Volume		Rate		Original Value		Fair Value
Swap AECO 7A (GJ)	687,500	$	1.94	$	(139,445)	$	(139,445)
Swap WTI (USD) (bbl)	111,000	$	74.50	$	641,389	$	892,492
Total Company							**753,047**

When assessing the potential impact of these commodity price changes, the Company believes a ten percent volatility is a reasonable measure. A ten percent increase or decrease in commodity prices would have resulted in $4.3 million net impact on revenue and net loss before tax.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from transactions and balances denominated in currencies other than the functional currency of the applicable entity, primarily the Brazilian real, Canadian dollar, U.S. dollar and Jordanian dinar.

The Company's Canadian petroleum and natural gas sales are denominated in Canadian dollars. However, the underlying market prices for these commodities are influenced by benchmark prices denominated in U.S. dollars and, accordingly, are indirectly affected by movements in the Canadian dollar relative to the U.S. dollar.

In Brazil, revenues are denominated in Brazilian reals; however, commodity prices fluctuate with underlying market prices denominated in U.S. dollars. Operating and capital expenditures in Brazil are primarily denominated in local currency, resulting in exposure to fluctuations in the Brazilian real relative to the Canadian dollar.

The Company also incurs expenditures through its Jordanian subsidiary that are denominated in Jordanian dinars and U.S. dollars, which gives rise to additional foreign currency exposure.

Following the Acquisition, the Company was also exposed to foreign currency risk in respect of the senior secured bonds, which are denominated in U.S. dollars. Fluctuations in the U.S. dollar exchange rate relative to the Company's functional currency may affect the carrying amount of the debt and the related finance expense recognized in the consolidated financial statements.

The Company does not currently hedge its exposure to foreign exchange risk associated with these bonds and, as at March 31, 2026, and December 31, 2025, the Company had no forward foreign exchange contracts in place. Management monitors foreign exchange rates on an ongoing basis in assessing the impact of currency movements on the Company's financial position and cash flows.

Based on the Company's foreign operations at March 31, 2026, a 10% strengthening or weakening of the Canadian dollar relative to the functional currencies of the Company's subsidiaries, with all other variables held constant, would have increased or decreased loss before taxes by approximately $1.1 million as a result of translating the results of those subsidiaries into the Company's presentation currency, the Canadian dollar.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Following the Acquisition, the Company is exposed to variable-rate risk through the senior secured bonds acquired as part of that transaction.

Under the terms of the bonds, all accrued and unpaid interest up to December 31, 2025, converts into shares if the contemplated SPAC transaction is completed. If the SPAC transaction does not proceed, no interest is payable in 2025. Thereafter, interest is payable quarterly at variable rates determined by reference to Brent crude oil prices, ranging from 4% when Brent is below US$55 per barrel to 20% when Brent exceeds US$95 per barrel, subject to an overall cap such that interest does not exceed 16% over the term of the bonds. Interest in 2026 may be settled in cash or in kind at the issuer's election. From 2027 onward, interest is payable in kind if Brent prices are below US$65 per barrel. The maturity of the bonds may also be extended for up to two additional one-year terms for a fee equal to 2% of principal for each extension.

At December 31, 2025, the Company's exposure to variable-rate debt under these bonds was US$80 million (2024: nil). As a result, changes in Brent pricing may affect the amount and timing of interest payable and, in certain periods, whether interest is settled in cash or in kind. The Company monitors this exposure in assessing its financing costs and expected liquidity requirements.

At March 31, 2026, and 2025, the Company's credit facilities outstanding balance was essentially nil.

Capital management

The Company's objective in managing capital is to maintain financial flexibility, preserve its ability to meet financial obligations as they become due and provide sufficient liquidity to fund ongoing operations and execute its business strategy. The Company believes that, with expected cash flow from operations, existing credit facilities and other available sources of financing, it will be able to meet its foreseeable capital obligations in the normal course of operations in the near term. The Company defines its capital structure as shareholders' equity, long-term debt, including the senior secured bonds assumed in connection with the Acquisition, and working capital. The Company monitors its capital structure having regard to current and projected cash flow from operations, debt levels, available liquidity and forecast capital expenditures.

The volatility of commodity prices has a material impact on the Company's cash flow from operations. The Company attempts to mitigate the effect of lower prices by entering into risk management contracts, shutting in production in unusually low pricing environments, reallocating capital to more profitable areas and reducing capital spending based on results and other market considerations. The Company will adjust its capital structure to minimize risk and its cost of capital through the issuance of shares, securing additional credit facilities and adjusting its capital spending as required. The Company monitors its capital structure based on the current and projected funds flow from operations.

Annual and updated budgets are approved by the Board of Directors and are regularly reviewed to assess the Company's funding requirements and financial flexibility.

16. Share Based Compensation

The Company has a stock option program that provides for the issuance of options to purchase Common Shares to its directors, officers and employees at or above grant date market prices. The options granted under the plan generally vest evenly over a three-year period starting at the grant date or one year from the grant date. The grants expire five years from the grant date.

The option plan includes a put right that permits an option holder to request settlement of vested options in cash or Common Shares, subject to the terms and conditions of the plan. Where cash settlement is approved, the settlement amount is calculated as the difference between the closing market price of the Common Shares on the date the put notice is delivered and the exercise price of the options. The Company has the option to decline a put right exercise at any time.

During the current quarter, the Company granted 12.9 million stock options with a weighted average exercise price of $0.27 per option. In addition, 6.5 million stock options were exercised at a weighted average exercise price of $0.18 per option, resulting in gross proceeds of approximately $1.2 million. The related amount previously recorded in contributed surplus was reclassified to share capital upon exercise.

The following table summarizes information about stock options on common shares outstanding and exercisable at March 31, 2026, and December 31, 2025:

	March 31, 2026		December 31, 2025	
	Number of Options *(thousands)*	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Exercise Price
Outstanding, beginning of period	35,790	$ 0.25	38,295	$ 0.25
Granted	12,875	0.27	6,675	0.23
Forfeited	(780)	0.28	(2,880)	0.22
Expired	(1,325)	0.18	(325)	0.16
Exercised	(6,450)	0.18	(5,975)	0.20
Outstanding, end of period	40,110	$ 0.27	35,790	$ 0.25
Exercisable, end of period	21,316	$ 0.29	28,288	$ 0.26

The fair value of the options granted were calculated using the Black-Scholes valuation model. The following weighted average assumptions were used in the model for options granted in 2026 and 2025:

	March 31, 2026	December 31, 2025
Weighted average fair value per award ($)	0.19	0.18
Volatility (%)	86.49	102.60
Forfeiture rate (%)	8.67	8.46
Expected life (years)	5.00	5.00
Risk free interest rate (%)	2.90	2.91

This forfeiture rate estimate is adjusted to the actual forfeiture rate. Expected volatility and expected life is based on historical information.

The number and weighted average exercise prices of stock options are as follows:

	Options Outstanding			Options Exercisable		
	Number of Options *(thousands)*	Weighted Average Years to Expiry	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Years to Expiry	Weighted Average Exercise Price
$0.21 - $0.23	11,375	2.89	0.23	7,400	2.39	0.23
$0.24 - $0.26	10,850	3.78	0.26	3,900	2.85	0.25
$0.27 - $0.34	17,885	2.58	0.31	10,016	0.82	0.34
	40,110	2.99	$ 0.27	21,316	1.74	$ 0.29

17. Share Capital

The Company is authorized to issue an unlimited number of Common Shares. The Company is also authorized to issue an unlimited number of Class "B" Common voting shares and an unlimited number of preferred shares, issuable in one or more series. At March 31, 2026, and 2025, there were no Class "B" common voting shares outstanding and no other preferred shares outstanding besides the Series 2 Preferred Shares.

a) Issued and outstanding

	Number *(thousands)*		Amount *($ thousands)*
Balance December 31, 2024	428,516	$	429,878
Shares issued for acquisition (see Note 5)	17,248		5,347
Balance December 31, 2025	445,763	$	435,225
Proceeds from the exercise of stock options	6,450		1,161
Share based compensation reclassification	–		882
Series 2 Preferred Shares reclassification	–		(4,522)
Balance Common Shares March 31, 2026	**452,213**	**$**	**432,746**
Balance December 31, 2025	–	$	–
Series 2 Preferred Shares	452,213		4,522
Balance Preferred Shares March 31, 2026	**452,213**	**$**	**4,522**
Balance March 31, 2026	**452,213**	**$**	**437,268**

During the three months ended March 31, 2026, 6.5 million stock options were exercised for cash proceeds of $1.2 million. In connection with the exercise of these stock options, $0.9 million previously recorded in contributed surplus was transferred to share capital. As a result, share capital increased by $2 million during the period. With the issuance of the Series 2 Preferred shares, $4.5 million was reclassified to Series 2 preferred Shares.

In January 2026, the Company completed the economic spin out its Quebec-based assets through a reorganization of its capital. The reorganization consisted of the exchange of one old Common Share for one new Common Share and one Series 2 Preferred Share. The Preferred Shares entitle holders to the economic benefits of the Quebec assets, and the Common Shares represent ownership of the remaining assets of the Company.

As part of the Acquisition, the Company is obligated to issue 15 million Class "A" common voting shares ("Common Shares") with a deemed value of $5.0 million. As at December 31, 2025, these shares had not yet been issued, and the related amount has been recognized as a current liability. See note 4.

b) Contributed surplus

($ thousands)	March 31, 2026	December 31, 2025
Balance, beginning of year	$ 44,427	$ 29,283
Contingent equity consideration	–	13,941
Share based compensation reclassification	(882)	–
Share based compensation expense	513	1,203
Balance, end of period	$ 44,058	$ 44,427

The Company recognized $0.5 million of share-based compensation expense during the three months ended March 31, 2026, with a corresponding increase to contributed surplus. In addition, $0.9 million previously recorded in contributed surplus was transferred to share capital resulting from the exercise of stock options during the current quarter.

As part of the Acquisition completed in prior period, the consideration also included contingent equity consideration comprised of two additional tranches of 25 million Common Shares each. At the acquisition date, these contingent shares were measured at an estimated fair value of $13.9 million was classified as equity and recorded in contributed surplus.

The contingent equity consideration meets the definition of an equity instrument under IFRS and, accordingly, is not subject to subsequent remeasurement. See Note 4 for further details regarding the Acquisition.

c) Per share amounts

Basic and Diluted net loss per share is calculated as follows:

	Three months ended March 31,	
(thousands, except as noted)	2026	2025
Net income (loss)	$ (17,832)	$ 4
Issued Common Shares at beginning of period	445,763	4
Effect of shares issued pursuant to:		
Exercise of share options	6,450	–
Weighted average Common Shares end of period outstanding	452,213	4
Basic net income (loss) per share	$ (0.04)	$ 1.00

Under the current stock option plan, options can be exchanged for Common Shares of the Company, or for cash at the Company's discretion. They are considered potentially dilutive and are included in the calculation of diluted net loss per share for the period. The average market value of the Common Shares for purposes of calculating the dilutive effect of options was based on quoted market prices for the period that the options were outstanding. At March 31, 2026, 28.7 million options

(December 31, 2025: 22.5 million) were excluded from the diluted weighted average number of Common Shares outstanding calculation as their effect would have been anti-dilutive.

18. Petroleum and Natural Gas Revenue

($ thousands)	March 31, 2026	March 31, 2025
Oil and liquids	$ 9,098	$ 8,165
Natural gas	1,505	951
Royalty revenue	112	14
Total Canada	$ 10,715	$ 9,130
Oil and liquids	$ 30,316	$ –
Natural gas	1,939	–
Total Brazil	$ 32,255	$ –
Total Company	$ 42,970	$ 9,130

19. Net Finance Expenses

($ thousands)	March 31, 2026	March 31, 2025
Finance Income		
Foreign exchange gain	$ 7,103	$ –
Income from financial investments	152	199
Interest income from leases	24	–
Other finance income	118	–
Total finance income	$ 7,397	$ 199
Finance expenses		
Lease finance costs	$ 35	$ –
Interest expense on bond	4,281	–
Accretion on bond	2,093	–
Fair value of embedded derivative related to bond interest expense	10,113	–
Interest expense on other obligations	1,255	–
Other	86	–
Total finance expense	$ 17,863	$ –
Net finance (expense) income	$ (10,466)	$ 199

20. Supplemental Cash Flow Information

Changes in non-cash working capital are detailed below:

($ thousands)		March 31, 2026		March 31, 2025
Accounts receivable	$	(3,260)	$	(371)
Deposits and prepaid expenses		(7,005)		46
Inventory		(1,743)		–
Other long term assets		3,211		–
Accounts payable and accrued liabilities		(21,291)		9,524
Other liabilities		11,632		–
Contract liability		6,725		–
Change in non-cash working capital	$	(11,731)	$	9,199

Related to:

Operating activities	$	(10,987)	$	(184)
Investing activities		(744)		9,383
	$	(11,731)	$	9,199

Other Non-cash items:

($ thousands)		March 31, 2026		March 31, 2025
Inventory obsolescence	$	17	$	–
Fair value adjustment for contingent consideration of former owner		494		–
Provision for contingencies		309		–
Bond accretion		2,093		–
Total other non-cash items	$	2,913	$	–

21. Subsequent Events

Subsequent to March 31, 2026, the Company entered into a binding agreement to sell its non-operated minority working interest in its Kakwa Central assets for total consideration of $23.5 million. The consideration includes a cash payment of $23.5 million, the assumption by the purchaser of associated decommissioning liabilities, and the assumption of the Company's commitments under related firm transportation and processing contracts. The transaction closed on May 1, 2026, but remains subject to receipt of requisite approvals and customary closing adjustments.

CORPORATE INFORMATION

DIRECTORS
Michael Binnion
Hans Jacob Holden
Jauvonne Kitto
Dennis Sykora
Bjorn Inge Tonnessen

OFFICERS
Michael Binnion,
President and
Chief Executive Officer
John Brodylo,
VP Exploration
Jason D'Silva,
Chief Financial Officer
Jyoti Parmar,
VP Finance
David Pellegrin,
VP Operations
Rick Tityk,
VP Land

BANKERS
National Bank
1800, 301 Sixth Avenue SW
Calgary, Alberta T2P 4M9

LEGAL COUNSEL
Borden Ladner Gervais LLP
1900, 520 Third Avenue SW
Calgary, Alberta T2P 0R3

TRANSFER AGENT
Computershare Trust
Company of Canada
800, 324 Eighth Avenue SW
Calgary, Alberta T2P 2Z2

DNB Carnegie
Dronning Eufemias gate 30
0191 Oslo, Norway

AUDITORS
Ernst and Young LLP
2200, 215 Second Street SW
Calgary, Alberta T2P 1M4

INDEPENDENT
RESERVOIR ENGINEERS
McDaniel & Associates Consultants Ltd.
2000, 525 Eighth Avenue SW
Calgary, Alberta T2P 1G1

GLJ Ltd.
1920, 401 Ninth Avenue SW
Calgary, Alberta T2P 3C5

HEAD OFFICE
1650 AMEC Place
801 Sixth Avenue SW
Calgary, Alberta T2P 3W2
Telephone: (403) 777-1185
Facsimile: (403) 777-1578
Web: www.questerre.com
Email: info@questerre.com

STOCK INFORMATION
Toronto Stock Exchange
Oslo Stock Exchange
Symbol: QEC

QUESTERRE

QUESTERRE
ENERGY CORPORATION

1650 AMEC Place
801 Sixth Avenue SW
Calgary, Alberta T2P 3W2

Telephone: (403) 777-1185
Facsimile: (403) 777-1578

Web: www.questerre.com
Email: info@questerre.com